

CURRENT HISTORY

A WORLD AFFAIRS JOURNAL



CHINA, 1991

Chinese Foreign Policy: The Diplomacy of Damage Control	<i>John W. Garver</i>	241
Tiananmen's Lingering Fallout on Sino-American Relations	<i>Robert G. Sutter</i>	247
Preparing for the Succession	<i>David Bachman</i>	251
Fettering the Press	<i>Liu Binyan</i>	255
The Economy Emerges from a Rough Patch	<i>Barry Naughton</i>	259
Chinese Youth: The Nineties Generation	<i>Beverley Hooper</i>	264
China and British Hong Kong	<i>William H. Overholt</i>	270
Science and Technology Policy: Developing a Competitive Edge	<i>Richard P. Suttmeier</i>	275
Book Reviews	<i>On China</i>	280
Four Months in Review	<i>Country by Country, Day by Day</i>	283



CURRENT HISTORY

FOUNDED IN 1914

SEPTEMBER 1991

VOLUME 90, NO. 557

Editor:

WILLIAM W. FINAN, JR.

Associate Editor:

DEBRA E. SOLED

Assistant Editor:

ALICE H. G. PHILLIPS

Consulting Editors:

MARY M. ANDERBERG

VIRGINIA C. KNIGHT

Contributing Editors:

ROSS N. BERKES

University of Southern California

DAVID B. H. DENOON

New York University

JOHN ERICKSON

University of Edinburgh

MARSHALL I. GOLDMAN

Wellesley College

NORMAN A. GRAEBNER

University of Virginia

KENNETH W. GRUNDY

Case Western Reserve University

OSCAR HANDLIN

Harvard University

RICHARD H. LEACH

Duke University

RAJAN MENON

Lehigh University

NORMAN D. PALMER

University of Pennsylvania, Emeritus

JAN S. PRYBYLA

Pennsylvania State University

JOHN P. ROCHE

Fletcher School of Law and Diplomacy

A. L. ROWSE

All Souls College, Oxford, Emeritus

ALVIN Z. RUBINSTEIN

University of Pennsylvania

AARON SEGAL

University of Texas

VACLAV SMIL

University of Manitoba

RICHARD F. STAAR

Hoover Institution

ARTURO VALENZUELA

Georgetown University

President and Publisher:

DANIEL MARK REDMOND

IN THIS ISSUE:

Our September issue finds that China is still recuperating internationally and domestically from the suppression of the democracy movement in 1989. As the lead article notes, "Beijing is on the defensive at home and abroad" in an attempt to suppress foreign criticism of its domestic policy and to rejuvenate trade links necessary for the continuation of economic reform.

The collapse of communism in Eastern Europe has stiffened the leadership's resolve to maintain firm control politically and to excise and prohibit entry of Western social and political mores. However, our article on China's youth shows that the party may be fighting a losing battle as young Chinese grow increasingly aware of an international youth culture undergirded by Western values.

This issue also includes an essay by the noted dissident Liu Binyan, who delivers a devastating critique of the party's attempt to suppress ideas it finds inimical. Other articles discuss the hard-line leadership's attempt to reverse economic reform, the growing debate over Bush administration policy toward China, and British-Chinese disputes over managing Hong Kong.

\$4.75 a copy • \$31.00 a year

Canada \$37.25 a year • Foreign \$37.25 a year

Please see back cover for quantity purchase rates.

NO ADVERTISING

Current History (ISSN-0011-3530) is published monthly (except June, July, and August) for \$31.00 per year by Current History, Inc., 4225 Main Street, Philadelphia, Pa. 19127. Second class postage paid at Phila., Pa., and additional mailing offices. Postmaster: send address changes to Current History, 4225 Main Street, Philadelphia, Pa. 19127. Indexed in *The Reader's Guide to Periodical Literature*, *The Abridged Reader's Guide*, *Book Review Index (BRI)*, *ABC POL SCI*, *PAIS*, *SSCI* and *America: History and Life*. Indexed on-line by *DIALOG*, *BRS* and *Information Access Magazine Index*. Microfilm: University Microfilms, Ann Arbor, Mich. No responsibility is assumed for the return of unsolicited manuscripts. Copyright © 1991 by Current History, Inc.

CURRENT HISTORY

SEPTEMBER 1991

Vol. 90, No. 557

"China's current leadership harbors deeply schizophrenic feelings toward the West. Its members desperately want Western technology, scientific knowledge, capital, and markets. But they are terrified by the magnetic appeal of Western ideals of individual liberty and democracy."

Chinese Foreign Policy: The Diplomacy of Damage Control

BY JOHN W. GARVER

Beijing is on the defensive at home and abroad. Western sanctions in response to the Tiananmen Square massacre of June 1989, the collapse of Communist rule in Eastern Europe, and the deepening crisis of the Soviet Union have had a profound impact on Chinese diplomacy. Haunted by the prospect of renewed domestic upheaval, China's leaders place a premium on stability. This translates into foreign policies that minimize international shocks that could exacerbate internal discontent or weaken the leadership's hold, and into efforts to reestablish the regime's good name within China and in the world at large.

Internationally, the Chinese Communist party did itself substantial damage with its repression of the democracy movement in 1989. The subsequent defection of at least 46 members of official delegations visiting abroad and 17 diplomats and other officials meant a loss of face and breach of security; Hong Kong party secretary Xu Jiatun, who was Beijing's chief representative in the British Crown colony, was the most senior defector. Foreign currency earnings have suffered as

tourism has declined.¹ And dozens of nations suspended lending to China after the massacre. While the total dollar value was small relative to China's overall level of investment, the loan sanctions, coming as they did at a time of internal economic retrenchment, intensified China's financial woes.

Beijing argued that the People's Republic was too big, too proud, and too self-reliant to alter its policies because of foreign economic pressure. Sanctions against China were futile, it said, and would merely hurt those countries imposing them. But in spite of this tough rhetoric, Beijing did everything possible to persuade foreign governments to lift their sanctions, and it made symbolic concessions when necessary to avoid additional sanctions.

Japanese sanctions hit hardest. Tokyo suspended a \$6.25-billion loan to finance projects during the Eighth Five-Year Plan (1991-1995). During the fall of 1989 Tokyo made it clear that resumption of the loan depended on the normalization of China's domestic political situation. In January 1990 the minister in charge of the State Planning Commission, Zou Jiahua, traveled to Tokyo to seek reinstatement of the loan, reiterating China's continuing commitment to reform; Japanese leaders pressed him to end martial law in China.

During the Group of Seven summit in Houston in July 1990, Japanese Prime Minister Toshiki Kaifu announced Japan's decision to resume lending to China; Kaifu also urged the six other major industrial countries represented at the summit to resume aid to

JOHN W. GARVER is associate professor of international affairs at the Georgia Institute of Technology. His most recent work is *Chinese-Soviet Relations, 1937-1945: The Diplomacy of Chinese Nationalism* (New York: Oxford University Press, 1988).

¹Only 2.3 million tourists visited China during the first 11 months of 1990, as compared with 2.8 million for the same period in 1988; the 1990 figure was, however, somewhat recovered from that for 1989.

China. Shortly afterward Chinese Vice President Wang Zhen expressed gratitude for Kaifu's stance and emphasized the importance of Sino-Japanese friendship for world peace. In December, Tokyo and Beijing signed an agreement for a loan of 43 billion yen for 17 major transportation and telecommunications projects.

In October 1990 European Community foreign ministers decided to resume ministerial visits, aid, and concessional lending to China. The following March Foreign Minister Qian Qichen traveled to Portugal, Spain, and Greece—the first visit by a senior Chinese official to Western Europe since the Beijing massacre. As of May 1991 the Spanish, British, and French foreign ministers had also visited Beijing. Summit-level Sino-Western interactions were still nonexistent, however, and this caused China significant loss of face.

FOREIGN INVESTMENT FALTERS

The confidence of foreign investors was another casualty of the Beijing massacre. Previously many Western investors had accepted low profit margins or even losses from their China operations because they wanted to get in on the ground floor of the more liberal, market-oriented China. But this China of the future was cast into doubt by the events of 1989.

Foreign assessment of the political risks associated with China operations also suffered. In the year before the Beijing massacre Japanese investment flooded into China as Japanese companies fled increased costs at home resulting from appreciation of the yen. China was well on its way to becoming the second-most-favored destination for Japanese overseas investment after Thailand. This trend was reversed by the events of 1989. As for American investment in China, the average value of new investments dropped from \$2.3 million in the first half of 1989 to \$889,000 for the same period of 1990.

The confidence of the foreign business community was dealt another blow by the publication in 1990 of *Beijing Jeep: The Short Unhappy Romance of American Business in China*.² The American Motors Corporation's Beijing Jeep factory had been one of the showpiece investments in China; this account of the bureaucratic haggling that had marked its history was widely read by the American business community. China suffered a further setback in early 1991 when Occidental Petroleum announced its intention to sell the company's 25 percent interest in an open-pit coal mine in Shanxi province that had been losing between \$25 million and \$50 million annually; Occidental's Shanxi stake

was the largest single American investment in China.

Foreign business confidence that China's economic reform would not be altered was also undermined by the revision of the tax system that was completed in 1991. The tax revision abolished many tax breaks granted to foreign enterprises by provinces and municipalities during the mid-1980s. Foreign firms are also now required to withhold tax on the unofficial second salary they find necessary to motivate their Chinese employees after the state employment agency has taken 80 percent of the regular salary. For foreign firms, the tax revisions mean substantially increased costs and are seen as yet another example of unilateral changing of the terms under which foreign business is allowed to operate in China.

As damaging as foreign sanctions have been, from the standpoint of the hard-line leaders of the People's Republic the post-Tiananmen setbacks are temporary adversities on China's successful march to socialism. Deng Xiaoping, China's paramount leader, reportedly told his comrades in April 1990 that they should expect an "extremely critical" three to five years of "extreme difficulties," which, once past, would open the way for renewed rapid development. What was needed now, Deng said, was "stability, stability, and more stability." Stability in China, according to Deng, would stand as a refutation of Soviet President Mikhail Gorbachev's liberalizations, which had produced chaos in the Soviet Union.³

THE COLLAPSE OF EASTERN EUROPE

As China's relations with the West unraveled in the months after the Beijing massacre, the party Politburo called for expanded ties with the socialist countries of Eastern Europe. For several months, in a replay of the 1950s, when Eastern European Stalinists had looked to China for support against a Soviet reformer (Nikita Khrushchev in that case), Eastern European Stalinists turned to Beijing as the revolutions in Poland and Hungary gained steam. Between July and November 1989 there was heavy high-level traffic between China and Eastern Europe, and many trade and cooperation agreements were signed.

Romanian dictator Nicolae Ceausescu had been an especially close comrade of the Chinese Communists. As the liberal virus began to spread across Eastern Europe in the fall of 1989, Ceausescu proposed to Chinese leaders the formation of a Marxist-Leninist bloc upholding politically correct principles. Although Beijing agreed with Ceausescu ideologically, it rejected his proposal because it would have hurt efforts to persuade Western governments to shelve sanctions against China and would have endangered China's substantial economic relations with the post-Communist regimes emerging in Eastern Europe.

Chinese leaders initially denied the profundity of

²Jim Mann, *Beijing Jeep: The Short Unhappy Romance of American Business in China* (New York: Simon and Schuster, 1990).

³"Deng Xiaoping ti Zhonggong suan ming" [Deng Xiaoping reads the Chinese Communist party's future], *Cheng Ming* (Hong Kong), no. 151 (May 1, 1990), p. 7.

developments in Europe. Once this attitude became untenable, Beijing claimed the moral high ground, announcing its respect for the sovereign right of nations to choose their own political system.

At a high-level party meeting convened in late 1989, the collapse of Communist rule in Eastern Europe was attributed to three factors: the presence of uneradicated social-democratic and bourgeois elements; interference and subversion by capitalist countries; and Gorbachev's traitorous policies.

From the party's perspective, Gorbachev is a traitor to the international proletariat who sacrificed the Communist regimes in Eastern Europe for the sake of better relations with the United States. According to the semiofficial journal *Shijie zhishi* (World knowledge), under Gorbachev's "new thinking" Moscow sought "economic integration with the West."⁴ The United States, it said, stressed that the Eastern European issue was "the principal stumbling block" to the realization of this ambition; Gorbachev's sacrifice of the Eastern European Communist regimes and the "demolition of the Berlin Wall finally freed the United States of all misgivings." The journal also noted that the new Soviet-American relationship set the stage for cooperation in resolving regional problems, including those in the Asia-Pacific region. Fear of this has formed the background for Chinese concern over growing Soviet ties with Taiwan during the past two years.

The Chinese Communist party's most pressing objective relating to the upheavals in Eastern Europe and the Soviet Union has been to prevent Chinese from concluding that their country is on the wrong side of history—that the Chinese people made a bad choice in 1949 when they allowed the Mandate of Heaven to pass to the Communists. Several propaganda themes have been working to keep Chinese from reaching this conclusion. The main theme is that whatever may have been the case elsewhere, socialism has worked well in China. Unlike the Eastern European and Soviet Communist governments, which remained economically isolationist and dogmatic until the crisis was severe, China opened to the outside world and began economic reform in 1978, a decade before European Communist governments began to follow suit. According to Communist propaganda, this decade-long head start translates into a much better economic situation; unlike the people of the formerly Communist Eastern European states, Chinese have a relative abundance of foodstuffs and consumer goods. Another theme designed to drive home the success of socialism in China has been the comparison of China's development record with that of India and of Latin America.

Over the long run, German unification may have a

greater impact on China's foreign policy than the fall of the Eastern European Communist regimes, the impact of which in China was mainly domestic. Beijing had long endorsed German unification in principle; when it occurred, however, and with such speed, China's leaders were ambivalent. A commentary in the December 14, 1989, *Renmin ribao* (People's daily), for example, implied that to avoid upsetting the European balance of power, the process of unification should be gradual.

German unification may lead to one of three strategic outcomes for Chinese foreign relations. One partially positive outcome from the Chinese point of view would be for the Soviet Union to pursue nonthreatening, cooperative relations with Beijing as a counter to a more powerful Germany. A second, negative possibility is that Moscow might begin to look on the United States as a potential partner against a revived Germany, thereby weakening China's ability to play Moscow against Washington. Another negative scenario would be the continuation of the German-American alliance, but with a united Germany as one of the world's leading powers. The global preeminence of the United States would be further enhanced—and China's position would be rendered even more vulnerable.

THE DOCTRINE OF "PEACEFUL EVOLUTION"

Many articles in Chinese publications have asserted that the 1989 upheaval in the People's Republic, the subsequent Western sanctions, and the collapse of Communist regimes in Eastern Europe were all part of a long-range United States global strategy to subvert socialism. According to this notion, United States foreign policy is guided by ideological hatred of socialism. After the failure of efforts in the 1950s and 1960s to destroy socialism through overt confrontation, the rulers of the United States decided on a more insidious, indirect attack. They would infiltrate socialist countries, including China, spreading bourgeois political ideology and lifestyles, fostering discontent with socialist society, and encouraging various groups to challenge the party's leadership while using economic levers to prevent the regimes from suppressing these challenges to their authority. Ultimately, the socialist system would be transformed from within.

While there is a degree of fit between Beijing's theory of "peaceful evolution" and the way United States leaders have conceptualized United States relations with China, the theory has several obvious problems. Chief among these is the fact that the president of the United States, George Bush, has restrained the anti-China forces in the United States Congress and presumably in the Central Intelligence Agency (CIA). Unless one is prepared to argue that the CIA has independently pursued anti-China policies of its own, or that the president has followed an ultra-sophisticated policy of seeming to oppose peaceful evolution in order to be

⁴Foreign Broadcast Information Service, *China: Daily Report*, November 28, 1990, pp. 6-8.

able to pursue it over the long run, the facts do not fit the peaceful evolution hypothesis.

The doctrine of peaceful evolution can be explained on several levels. On one level it is a psychological scapegoat, a way for the leaders to blame domestic discontent on foreign machinations rather than admit that their rule has been discredited because of their own actions. On another level propaganda about peaceful evolution is a bargaining tactic, a response to American criticism of Chinese human rights violations. Hard-line conservatives also use the doctrine to discredit the relative laxity favored by China's more liberal Communists.

Peaceful evolution is in part an expression of the leadership's apprehension about the attractive power of Western society and ideals. The dilemma faced by China's Communist rulers is that they cannot survive without continued openness—nor, they fear, with it. There is a virtual consensus in the leadership that a return to pre-1978 isolation would be a severe blow to China's scientific and technological, hence industrial and military, progress. The leadership believes that if China is to be a modern socialist country on a par with other world powers by early in the next century—the goal of the Four Modernizations—it must draw heavily on Western scientific and technological achievements. The difficulty is in assimilating Western science and technology without importing Western political ideas that undermine the party's hegemony. This problem, which has plagued Chinese rulers for well over a century, has been expressed in Chinese as *zhong xue wei ti, xi xue wei yong* (Chinese wisdom for the essence, Western wisdom for the application).

The 1989 upheaval represented still another failure of this century-old approach. China's conservative Communist leaders, for example octogenarian Chen Yun and Prime Minister Li Peng, maintain that it was not the approach that was at fault but the lax application of it by ex-Secretary Generals Hu Yaobang and Zhao Ziyang. The conservatives' solution is intensified indoctrination and control. Others in the party know that the problem is more fundamental, and fear that the stepped-up repression proposed by conservatives will further alienate China's intelligentsia and youth. But they cannot explain how the party can retain its monopoly on power once Western ideas start taking hold. The party's dilemma can be stated crudely: creeping economic stagnation or creeping liberalization.

RELATIONS WITH THE SOVIET UNION

In the period leading up to the Gorbachev–Deng summit in May 1989, Beijing followed a carefully tuned policy designed to normalize relations with the Soviet Union while preventing relations with the United States from deteriorating. As part of this policy, Beijing kept relations with the United States one step ahead of

those with Moscow, especially in the area of military cooperation.

The delicate triangular balance was thrown into disarray by the upheavals of 1989. United States sanctions soured relations, and the suspension of military sales and exchanges was among Washington's first moves. Beijing now found it useful to stimulate American geopolitical uncertainties by drawing closer, and threatening to draw closer still, to the Soviet Union. Beijing used the threat of a Chinese tilt toward Moscow (as President Bush did) to block further United States sanctions after the Beijing massacre. Ironically, Beijing had previously stressed the obsolete nature of the "strategic triangle" concept as part of its effort to minimize adverse United States reaction to normalization of Sino-Soviet relations. Mounting fears of Japan and the leaders' belief that the United States has gained a dangerous preeminence in the face of declining Soviet power have also drawn China closer to Moscow since 1989.

Sino-Soviet military relations have steadily advanced. Major General Song Wenzhong, director of the foreign affairs office of China's Ministry of Defense, accompanied Li Peng to Moscow in April 1990. Two months later the first Soviet military delegation in 40 years arrived in China. Soon thereafter a People's Liberation Army (PLA) delegation led by Admiral Liu Huaqing, vice chairman of the party's central military commission, reciprocated the Soviet visit. These and several other high-level visits culminated in a \$720-million commodity loan by China to the Soviet Union in March 1991. In return Moscow agreed to sell China 24 Su27 fighter planes for \$700 million; both the price and the level of technology provided represented Soviet concessions to China. Beijing is also reportedly interested in acquiring Soviet space technology. The Soviet military, for its part, is interested in China's success in converting military factories to civilian production.

While renewing military cooperation with the USSR, China's leaders feel little comradeship with Gorbachev. Gorbachev's abandonment of the Communist party's monopoly on power and allowing pluralistic political forces to emerge are exactly the sort of pernicious "liberal bourgeois" changes advocated by liberal Chinese Communists, demanded by the Beijing demonstrators, and feared by the old guard. Chinese leaders believe that Gorbachev's actions led to the Soviet Union's deepening nationalist and economic troubles in 1990 and 1991; this only confirms the correctness of their decision to repress challenges to party authority in 1989.

Ideological differences were discussed during Li Peng's April 1990 visit to Moscow—the first by a Chinese prime minister to the Soviet Union since 1964. Both sides agreed, however, that ideology should not obstruct the further development of political and economic relations. Efforts are under way to expand the

infrastructure supporting Sino-Soviet trade; the completion of the rail line from Urumqi to Alma Ata in September 1990 was a major advance. Both sides have hopes for joint development of hydroelectric and navigation facilities along the Amur River. China has also begun supplying workers for projects in Soviet Siberia, where there is a chronic labor shortage.

While Chinese calculations of economic interest were a fundamental force driving Sino-Soviet rapprochement throughout the 1980s, under present conditions political considerations have gained weight. China's rulers want to avert a breakdown of civil authority in the USSR that could create a myriad of problems for them, from civil war just over the border to Soviet immigrants pouring into China to increased Islamic unrest in Xinjiang province. Successful republic secessions, a military coup, or collapse of the Communist regime in the Soviet Union would set dangerous precedents for China. Undoing the Bolshevik revolution would be an unparalleled step backward for mankind, according to China's hard-line Communist leaders. China would be left in the company of Cuba, North Korea, and Vietnam as one of the last orthodox Communist states in the world, and the ideological victory for the United States, together with the precipitous decline in Soviet power, might embolden Washington to adopt even more hostile policies toward China.

AN EMPHASIS ON THE THIRD WORLD

As ties with the Western powers deteriorated, Beijing stepped up diplomatic activity with third world countries less inclined to chastise China for human rights violations. A mid-1989 Politburo directive on foreign policy declared, "From now on China will put more effort into resuming and developing relations with old friends [in Africa] and third world countries."⁵

In July 1989, Foreign Minister Qian Qichen visited Botswana, Zimbabwe, Angola, Zambia, Mozambique, and Lesotho, while Deputy Foreign Minister Yang Fuchang visited five African countries. In November 1989, Li Peng, one of the principal architects of the Beijing massacre, was the first major Chinese leader to venture out of China after the crackdown, traveling to Pakistan, Nepal, and Bangladesh. In May 1990, President Yang Shangkun lobbied in Latin America for increased trade and support for Chinese membership in the General Agreement on Tariffs and Trade (GATT); his was the first tour of the region by a Chinese president. That year also saw the establishment of diplomatic relations with Singapore and the reestablishment of relations with Indonesia, severed in 1967. The Chinese media touted each of these visits as proof that China was still respected and had friends around the world.

Chinese diplomacy has taken minimal risks in the two years after the Beijing massacre. This was demonstrated by Beijing's remarkably low-key response to India's economic blockade of Nepal from March 1989 to June 1990. China's relations with Nepal were the main reason behind India's economic bludgeoning of their mutual neighbor: in early 1988 China had sold some \$20-million worth of military equipment to Nepal, and it later reportedly signed a secret intelligence exchange agreement with the Nepalese government. From China's perspective these had been normal dealings between independent neighboring states, but from the Indian perspective, China's actions threatened the military status quo in the Himalayas and amounted to a breach of India's crucial northern defenses.

Beijing provided only modest support for Nepal once the Indian blockade began. During the initial months Chinese aircraft and tank trucks carried critically needed fuel from Tibet to Katmandu—but Nepal was charged for the cost of transportation. During Li Peng's visit to Katmandu in November 1989, Beijing promised a \$13.6-million grant; this modest sum, however, was to be used to finance future development projects. This and other Chinese actions did little to curb Nepal's inflation and mounting balance of payments deficit. Chinese leaders never condemned India's blockade—or if they did, it was only in a highly elliptical manner—and did not support Katmandu's efforts to bring the Indo-Nepalese dispute before the United Nations (UN). If during the Indo-Nepalese confrontation China chose continued rapprochement with India and peace with India's allies the Soviet Union and the United States, its restraint was due partly to its diplomatic isolation and economic weakness at that time.

CHINA AND THE PERSIAN GULF WAR

Beijing quickly condemned Iraq's invasion of Kuwait in August 1990, and called for an immediate end to Iraqi military actions and for a peaceful settlement of Iraqi-Kuwaiti disputes. In the UN Security Council China voted for 11 resolutions directed against Iraq, including Resolution 661, which provided for mandatory economic sanctions. Despite Iraqi lobbying and a visit to Beijing by Iraqi officials, China did not use its veto power to block Security Council actions against Iraq, or join Cuba and Yemen in voting against some of the resolutions. When the vote came on Resolution 678, which set a deadline for Iraqi withdrawal from Kuwait and authorized the use of force, China abstained.

However, China was critical of the military buildup by the United States and other powers in the Persian Gulf region, advocating a political solution to the crisis by peaceful means. It spoke out against the Western naval blockade of Iraq and condemned the United States-led coalition's war against Iraq after January 15, 1991. It lauded the mediatory efforts of UN Secretary

⁵Ibid., October 3, 1989, p. 3.

General Javier Pérez de Cuéllar, India's attempts to come up with a "nonaligned solution," efforts toward an "Arab solution," and the cease-fire proposal broached by Soviet Foreign Minister Aleksandr Bessmertnykh. Beijing also tried its hand at mediation, dispatching Yang Fuchang to Syria, Turkey, and Iran in February with a six-point peace plan providing for the withdrawal of all foreign troops from the Gulf region and a resolution of the Arab-Israeli conflict.

Beijing used the Gulf war to court international goodwill; continuing sanctions against China might be lifted, it reasoned, and prospects for new sanctions lessened if China appeared as a responsible, constructive member of the international community. Beijing's relatively cooperative role during the crisis confirmed President Bush's assertion that China was an important power with which the United States needed to maintain a good working relationship; this had been his chief argument against congressional proposals for stronger sanctions against China. Beijing seized on the United States president's desire for Chinese support to arrange an official visit by Qian Qichen to the United States in December 1990.

A second set of Chinese objectives during the Persian Gulf crisis involved the courting of Middle Eastern governments. Egypt has occupied a special niche in China's foreign policy since the late 1950s. After President Anwar Sadat's break with Moscow in 1972, China and Egypt cooperated on a range of issues, most notably Afghanistan. Egypt was a leading organizer of the anti-Iraq coalition after Iraq's invasion of Kuwait; after the war ended, Egyptian President Hosni Mubarak paid a three-day "friendship visit" to Beijing.

Iran is a second center of gravity in China's Middle East policy. Four high-level Iranian delegations traveled to Beijing during the Gulf crisis. Iran along with China opposed both Iraq's seizure of Kuwait and United States military action against Iraq.

⁶Ibid., February 27, 1991, pp. 5-6.

Shortly before the crisis erupted China had scored gains in relations with other anti-Iraq countries of the Middle East. In April 1989 and July 1990 respectively China established diplomatic relations with Bahrain and Saudi Arabia. Beijing has important interests in common with these countries, ranging from sales of weapons and labor services to isolation of Taiwan.

A DARK AND THREATENING PLACE

From Beijing's standpoint, the decisive American-led defeat of Iraq increases the United States threat to China. According to a paper on "The Gulf War and China," drafted by He Xin, one of Li Peng's key foreign policy advisers, and circulated among senior cadre after the Gulf war, the United States goal is world domination. Following up on its recent series of victories, the United States will now deal with China, the major obstacle remaining to its goal of world unification under "yankee imperialism." "The United States has decided it must thoroughly destroy the existing order of China," He Xin wrote. Washington, he asserted, plans to isolate China, blockade it, and break it down through internal disorder, eventually rendering the country innocuous by democratizing it.⁶

He Xin's views do not represent those of all Chinese leaders, but they probably do represent those of the conservative Stalinists, from whose perspective the world is a dark and threatening place. China's current leadership harbors deeply schizophrenic feelings toward the West. Its members desperately want Western technology, scientific knowledge, capital, and markets. But they are terrified by the magnetic appeal of Western ideals of individual liberty and democracy. Their solution is to demand unrestricted access to the former while damning the latter. When they find that Western material and spiritual culture cannot be uncoupled in this fashion, either inside China or in the world at large, their response is bitter denunciation of the evil people responsible. ■

The debate over granting most-favored-nation status to China focused American attention on China in 1991 and kindled criticism of President Bush's policy toward China since Tiananmen.

Tiananmen's Lingering Fallout on Sino-American Relations

BY ROBERT G. SUTTER

Two years after the suppression of the democracy movement in Beijing, there is still widespread American revulsion with the Chinese government's crackdown and its repressive policies.¹ However, in late 1990 and early 1991 it appeared that the United States and China would slowly return to more normal relations, at least in the areas of politics and economics; military exchanges appeared likely to remain suspended for some time. While public opinion in the United States remained ambivalent about China, half those surveyed in some polls favored improved relations.² China's willingness to support a United Nations (UN) peace plan for Cambodia, which was announced in August 1990, and its acquiescence to United States-led efforts in the UN Security Council to reverse Iraq's August 1990 invasion of Kuwait underlined China's continued importance to American interests.

But the end of the Persian Gulf war in March 1991 saw the growth of an array of contentious issues in United States policy toward China. By midyear conflict over them had reached a crescendo, coinciding with United States President George Bush's annual waiver of

restrictions that would prevent renewal of most-favored-nation (MFN) trade status for China. All agreed that a withdrawal of China's MFN status would represent a major downturn in United States relations with China.

PRESIDENT BUSH AND US POLICY

Sino-American relations have not deteriorated further because Bush personally took charge of United States policy toward China after the Tiananmen massacre in June 1989. He and a narrow circle of advisers tried to strike a difficult balance in United States policy toward China.³ Bush hoped to elicit positive gestures from the beleaguered Chinese leadership while avoiding what he judged were overly punitive and counterproductive United States measures against China that were being pressed on his administration by congressional leaders and the American media.

The most notable examples of the new tight-rein approach occurred when Bush and his close advisers sent high-level missions to Beijing in July and December 1989 without the knowledge of most United States officials, and when they took steps to ensure that State Department and other officials avoided comment on the most sensitive policy issue of 1990—the extension of most-favored-nation tariff treatment to China. Moreover, by keeping a tight rein on policy, the president and his aides were well positioned to adjust United States policy should circumstances change in China or the United States.

Bush's determination to maintain firm personal control of United States policy toward China is based on his belief that he "knows" China because he served as head of the United States liaison office in Beijing in the mid-1970s, is able to deal effectively with Chinese leaders, and has a proper perspective on United States policy toward China. American critics of the president have taken issue with these claims and have repeatedly asserted that the president does not have a vision of a

ROBERT G. SUTTER is director of the foreign affairs and national defense division of the Congressional Research Service of the Library of Congress. The views expressed in this article are those of the author.

¹For background, see US Congress, Joint Economic Committee, *China's Economic Dilemmas in the 1990s*, Volumes I and II (Washington, D.C.: United States Government Printing Office, 1991); see also Robert Sutter, "Sino-American Relations in Adversity," *Current History*, September 1990.

²See John E. Rielly, ed., *American Public Opinion and United States Foreign Policy 1991* (Chicago: Chicago Council on Foreign Relations, 1991), p. 24.

³See the author's article-length study, "American Policy Toward Beijing, 1989–1990: The Role of President Bush and the White House Staff," undertaken for the Heritage Foundation's "Critical Issues" series, January 1991.

future China policy that takes into account the post-cold war realities and the greater importance of human rights in United States foreign policy.

Other charges have alleged that the president has been strongly influenced by advisers like National Security Council head Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger, who led the two secret United States missions to Beijing in 1989. Some critics claimed that those officials shared views of China associated with former Secretary of State Henry Kissinger, who supposedly overemphasized China's strategic and economic importance and soft-pedaled United States concern about human rights and political reform in China. Behind such accusations lay broader charges that the president was swayed by public opinion polls and was reluctant to fight for the sake of principle.

But the public record shows that most of these criticisms are far from the mark. A careful review of publicly available White House documents shows that Bush laid out the broad outlines of his policy toward China at the outset of his administration. In his February 1989 state visit to China he offered his often personal reflections on the future course of United States-China relations.

At that time the president saw the prospect of a gradually changing China: a Communist country whose growing economic interaction with the United States and the industrialized world would inevitably lead to greater economic and political benefits and improved human rights conditions for the Chinese people. The president believed that the United States must be constructively involved with this process because of China's size, location, strategic importance in world affairs, and economic potential. He judged that serious disputes would continue between the United States and China because of the wide differences in political, economic, and social systems, but that United States engagement should continue nevertheless.

United States press coverage of the president's visit virtually ignored Bush's exposition of a comprehensive United States policy toward China. The media viewed the visit as a thinly disguised effort to assess Chinese intentions and solidify Sino-American relations before the April 1989 visit of Soviet President Mikhail Gorbachev to Beijing.

Press reports focused on an incident in which Chinese security forces prevented the physicist Fang Lizhi, a leading Chinese dissident, from attending a United States embassy reception for the president to which he had been invited. Some press coverage emphasized that Bush was less than firm in complaining about the security forces' actions and suggested that the president's longstanding personal ties with Chinese leaders curbed his willingness to protest such high-handed Chinese actions.

The president's actions and statements could have given the impression that he was not prepared to contest differences with Chinese leaders. Bush repeatedly characterized the visit as a sentimental journey, noting that this was the fifth time he had returned to China since leaving as liaison office chief in 1975, and that his wife, Barbara, had returned six times since. On several occasions he referred warmly to events that had marked his stay in the country, remarking that his daughter had been baptized in China. But the president also used his visit to his former church in Beijing to call for the gradual improvement of human rights in China, and his keynote speech to the Chinese people emphasized this theme as well. The president's interest in this issue was underscored by the fact that several Chinese dissidents other than Fang Lizhi had been invited to the embassy reception, and had attended it.

While in China the president also discussed the rapidly changing world order and the role of United States-Soviet-Chinese relations. He did not see China as a lever against Soviet power, but rather as an important power in itself because of its potential impact on world development in a host of areas. The president's statements attempted to move United States policy away from a myopic view of China's strategic importance against the Soviet Union to one that took account of recent trends in East-West and Sino-Soviet accommodation and better served United States interests in an emerging world order.

A SLOW IMPROVEMENT IN RELATIONS

The storm of controversy over the July and December 1989 missions to Beijing caused the president and his close advisers to adjust their approach to China. In the aftermath of the Tiananmen massacre, China's leaders were divided or otherwise incapable of developing positive responses to any important United States initiatives that would justify such initiatives to the American people. As a result, the Bush administration lowered its expectations, hoping to preserve the basic framework of relations and encourage a slow improvement in them. The administration also hoped to position the United States to deal effectively with the new generation of leaders likely to emerge in China during the next few years.

In 1990 Chinese leaders made a few positive gestures in midyear—notably, permitting Fang Lizhi to leave China after he had spent a year in the United States embassy for fear of being arrested—that appeared to justify a slow improvement in Sino-American relations. Japan announced that it would resume its aid program to China, and the World Bank and Asian Development Bank also moved forward with their China programs. In August the administration repeatedly praised China's "constructive role" in the UN-backed peace plan for Cambodia. Iraq's invasion of Kuwait that

month focused United States strategy on the UN Security Council, where China's veto power loomed large in American calculations to obtain support for resolutions condemning the invasion and allowing the use of force to remove Iraqi forces from Kuwait.

Further signs of improved relations included Chinese Foreign Minister Qian Qichen's meetings in Washington, D.C., with Bush, Secretary of State James Baker 3d, and members of Congress in October 1990. Congressional members were reportedly more cordial in greeting the Chinese envoy than was the president, who was said to have focused on differences on human rights questions, among other issues.⁴

Sino-American trade continued to grow, although about half the economic sanctions adopted by the United States against China in 1989 remained in effect. China was ineligible for investment guarantees through the Overseas Private Investment Corporation (OPIC), or for concessional trade financing through the Department of Commerce's Trade Development Program. A nuclear cooperation program and the process for liberalizing United States controls on technology transfer remained frozen.

The Bush administration renewed China's eligibility for Export-Import Bank financing and permitted China to launch American-made satellites on Chinese rockets. American tourism and investment in China recovered slowly from the sharp drop in the period after June 1989. Sino-American cultural relations followed a similar pattern. Most formal programs that had been suspended by the United States were restored, although some were operating at a lower level than they might have in the absence of the Tiananmen massacre.

THE SPRING CRISIS

In early 1991, Bush emerged from the Persian Gulf war with overwhelming public approval ratings, especially for his handling of foreign affairs. The United States appeared likely to follow the other industrialized countries and international financial institutions in improving relations with China slowly and incrementally.

The Bush administration followed up its meetings with Foreign Minister Qian by arranging for Assistant Secretary of State for Human Rights and Humanitarian Affairs Richard Schifter to travel to China for talks in December 1990. Assistant Secretary of State for East Asian and Pacific Affairs Richard Solomon traveled to China in March 1991 to discuss the peace process in Cambodia and other issues. And arms control specialist Reginald Bartholomew, the under secretary of state for

security affairs, visited China in June 1991. But the United States was not yet ready to resume high-level exchanges between its commerce and treasury secretaries and their Chinese counterparts, which had taken place annually.

In the spring of this year, American critics of the Chinese government and Bush administration policy toward China renewed their attacks. The end of the Gulf war reduced the salience of the argument that China's importance in the UN Security Council and its willingness to accept United States leadership in the Gulf crisis required that the United States soft-pedal some differences with China. Meanwhile, controversy began to build around the issue of whether the United States would continue to grant China a waiver of restrictions on MFN status.⁵

One issue affecting the MFN debate was the United States trade deficit with China. The deficit arose from China's deliberate decision to restrict imports, especially from the United States, and to encourage exports to the United States. Dismay over China's infringement of United States copyrights and patents and its illegal export of textiles to the United States through third countries contributed to the debate. In early 1991, at the low point of the 1990-1991 economic recession in the United States, it was announced that the previous year's trade deficit with China had ballooned to \$10.5 billion—and was second only to the United States trade deficit with Japan.

There was also heightened tension over arms proliferation. After the Persian Gulf war, United States-supported efforts to control the export of ballistic missiles to the Middle East were met by reports of Chinese efforts to sell short- and intermediate-range ballistic missiles to Pakistan and Syria. Moreover, China has refused to join the Missile Technology Control Regime designed to limit the proliferation of such dangerous weapons systems. It was also disclosed during this period that for several years China had been secretly helping Algeria to build a nuclear reactor that some believed could be used to produce nuclear weapons.

The April 1991 visit to Washington by the Dalai Lama, the exiled spiritual leader of Tibet, turned congressional attention to China's oppression of Tibetans. A resolution passed in the United States House of Representatives in April 1991 declared congressional support for Tibetan independence, which China saw as a direct challenge to its territorial integrity.

Congress also began to question sharply China's role in Cambodia, especially continued Chinese military support for the Communist Khmer Rouge. Congress judged that the United States should take further steps to restrain the Khmer Rouge in its war to reclaim control of Cambodia, including a much tougher policy toward China.

Congress and the media also focused on charges that

⁴Interviews with United States administration and congressional officials, Washington, D.C., February and March 1991.

⁵Reviewed in *Congressional Quarterly Weekly Report*, April 27, 1991, pp. 1044-1046, and May 18, 1991, p. 1260; and *National Journal*, May 18, 1991, p. 1178.

China exported to the United States industrial products made by Chinese political prisoners; that China was insufficiently vigilant in curbing heroin traffic through China to the United States; that China's use of arms sales to shore up the corrupt and repressive regime in Myanmar (formerly Burma) was an offense to international standards of human rights; that China continued to use coercion in family planning; and that China followed a heavy-handed policy toward Hong Kong that was promoting an exodus from the territory and undermining extensive United States economic and political interests there.

DEFUSING THE CRISIS

Bush took several steps to defuse the crisis while maintaining the policy initiative. In mid-April he met with the Dalai Lama in an attempt to assuage critics of his human rights stance; in late April administration trade officials listed China, along with India and Thailand, as the three nations targeted under "special 301" section of the 1988 Trade Act, which requires United States retaliation against countries that do not protect United States intellectual property.

Also in April the administration refused to allow the export of American-made components for a Chinese satellite in response to Beijing's reported missile sales; in early May the administration sent Under Secretary of State for Political Affairs Robert Kimmett to Beijing for talks on curbing conventional and nuclear arms proliferation and to discuss human rights concerns. China was warned both publicly and privately that a waiver of MFN restrictions in 1991 was far from certain. But Bush finally disclosed on May 15 that he would recommend that China continue to be accorded MFN status.

The next day Senator George Mitchell (D-Maine), the Senate majority leader, proposed granting MFN status for six months, after which the president would have to certify that China had made improvements in its

human rights and trade practices and had limited arms sales, in order for MFN status to be extended. Similar conditions were proposed in the House. Bush launched a strong defense of his position with a speech at Yale University in late May. Almost simultaneously, the administration announced restrictions on the sale of high-performance computers to China and on the launching of United States satellites on Chinese rockets. The curbs were quickly derided by Senator Mitchell, who stressed the need for stronger restrictions on MFN status for China.

Bush made his formal recommendation to continue MFN for China on June 3, 1991; Congress then had 60 days to vote a joint resolution of disapproval, which could be vetoed, or China's MFN privileges will continue. Congress could also pass new legislation, such as Senator Mitchell's proposal.

Compromises appeared possible, but not before various parties had staked out their positions on the issue. Bush seemed determined to sustain MFN treatment for China as a critical element in the constructive engagement he favors for United States policy toward China; presumably he would oppose conditions that would have a major impact on United States-China trade. Congressional critics appeared set on cutting off or placing stringent conditions on MFN in order to send a clear message to Chinese leaders.

United States domestic politics influenced the debate. Some congressional critics attempted to portray the president and his Republican party supporters as insensitive to human rights, arms proliferation, and trade equity. Bush's supporters compared complaints about the president's commitment to the principle of constructive Sino-American relations with what they considered misplaced criticism of the administration for taking military action, rather than relying on sanctions to work, when faced with a showdown with Iraq. The debate over the future course of policy toward China appeared likely to rage throughout the summer. ■

"Deng Xiaoping's successor will likely be someone who responds to events rather than shaping them, someone who manages the Chinese ship of state rather than steering it in bold new directions, and someone who spends most of his time bargaining with important domestic groups rather than formulating a clear-cut ideology."

Preparing for the Succession

BY DAVID BACHMAN

A deceptive calm has descended over China. Overt power struggles are rare, and there have been few dramatic political developments. The Chinese leadership has attempted to put the democracy movement of 1989 and its bloody suppression behind it by projecting an image of progress, control, and—to use its favorite post-June 4, 1989, phrase—stability and unity.¹ No mass demonstrations have taken place, and social tensions have subsided. Stability and unity seem to reign in China.

But the depth of elite unity and social stability should not be overestimated. Political tension did not disappear simply because the leadership suggested that all was healthy in the Chinese body politic. The question of who would succeed paramount leader Deng Xiaoping, although it was addressed only covertly, dominated Chinese politics over the last year. To an increasing degree, the actions of all major Chinese political figures revolved around this issue.

China is currently ruled by two different sets of leaders. The members of one set are in their fifties and sixties. Most are college educated and many have spent time abroad, usually in the Soviet Union. They exercise operational authority over the Chinese state, making routine policy decisions and determining policy implementation. The highest-ranking members of this group

are contenders for the ultimate succession, aspiring to gain full authority in the areas of policy and power.

The winner of the succession contest will try to replace with his own people the second set of leaders, a group of men in their eighties who are the final arbiters of power and policy in China, although few of them hold formal positions in the government or the Communist party apparatus. The leaders of this group are Deng Xiaoping, who turned 87 in August 1991, and the conservative economist Chen Yun, who recently turned 86. They and the group's approximately half-dozen other veterans of the Chinese Communist party's struggle for power in the 1920s, 1930s, and 1940s are reluctant to allow the younger generation any real authority. To some extent, this hesitation to retire is natural; the revolutionary veterans believe they are tougher and more experienced than their putative heirs. Chinese culture in general and Chinese Communist party culture in particular are ambivalent about retirement: The true Communist fights to his dying breath for the cause; the true Chinese works for his country to the last day of his life. But in fact these octogenarians are reluctant to retire because they do not want to give up power.

The older generation's refusal to relinquish power exacerbates the uncertainties surrounding succession in China. Potential successors are inexperienced, and older leaders will not cede greater powers to them until they are more experienced. But the older leaders have made it impossible for younger leaders to gain the needed experience, creating a vicious circle.

SUCCESSION POLITICS

In any one-party political system, succession is a critical and noninstitutionalized political process. In China the pressure to win and to employ all available strategies and tactics is especially pronounced because the rules of the game are not formalized and the costs of failure may include political oblivion and, as in the past, loss of life.

DAVID BACHMAN is associate professor of international studies at the Henry M. Jackson School of International Studies at the University of Washington. He is the author of *Bureaucracy, Economy, and Leadership in China* (New York: Cambridge University Press, 1991), *Chen Yun and the Chinese Political System* (Armonk, N.Y.: M.E. Sharpe, 1985), and coeditor and cotranslator of *Yan Jiaqi and China's Struggle for Democracy* (Armonk, N.Y.: M.E. Sharpe, 1991).

¹For discussion of the suppression of the democracy movement and the aftermath, see articles by the author, "Retroggression in Chinese Politics," *Current History*, September 1989, and "China's Politics: Conservatism Prevails," *Current History*, September 1990.

Then there is the recurring dilemma of the successor in China: To maintain his position as designated successor, the leader-to-be must maintain the trust of the top leader, the person who anointed him as heir apparent.² Yet the successor inevitably lacks some of his patron's resources, and thus must develop independent power bases. The dilemma arises from the fact that it is all but impossible for the successor to maintain the trust of the top leader and build independent power bases at the same time.

China's modern political history is filled with examples of the importance of the political succession question. In 1953 two leading regional officials, Gao Gang and Rao Shushi, were removed from office because they tried to reduce the influence of potential successors to Chairman Mao Zedong, who may have been ill at the time. The early phases of the Cultural Revolution (1966–1968) involved attacks on Mao's apparent successor, Liu Shaoqi, then president of China. In the late 1960s and early 1970s, Mao turned on his newly designated successor, Lin Biao, the commander of the Chinese army, who seemed overly anxious to secure his succession. (Lin died in a mysterious airplane crash in 1971.) From 1973 to 1976, radical and moderate factions battled to determine who would succeed the Chairman after he finally died. The moderates won the battle, but the struggle among them continued until 1978, when Deng Xiaoping finally became China's top leader.

Deng had not been in power long before he tried to manage his own succession in order to avoid a recurrence of past disruption. But Deng's attempts to manipulate his own succession have fared no better than Mao's. In the early 1980s, Deng first tried to establish Hu Yaobang, an old ally and the party's new general secretary, as his successor. After student demonstrations and calls for fundamental political change by many of China's leading intellectuals in 1986, however, Hu was forced from power in early 1987; a few months later Zhao Ziyang, then prime minister, was made general secretary. Deng thus tried to designate Zhao as successor, but Zhao was ousted after he refused to suppress the 1989 demonstrations. After the crackdown on the demonstrators, Deng elevated Jiang Zemin, then party secretary of Shanghai, to the general secretaryship, making him the heir apparent.

A complicating factor in the current succession is that not only will the top leader be replaced, but a new generation of leaders will finally replace China's remaining revolutionary veterans. It is not merely that one fifty- or sixty-year-old will replace one octogenarian, but that all the octogenarians will soon die. This

imminent generational transition has apparently increased the older leaders' distrust of their potential successors and has made them even less willing to relinquish power completely. This lack of trust is perceived by everyone in the political system, further weakening the already limited authority of the younger leaders. Moreover, the revolutionary generation's failure to leave the stage may lead the "younger" generation to repeat the older generation's example by holding on to power until their own deaths; this would create a new backlog of even younger, more educated leaders who are frozen out of power as the once "young" leaders age.

CANDIDATES FOR SUCCESSION

In addition to Deng Xiaoping and Chen Yun, probably the two most powerful leaders in China, the other elder leaders include Yang Shangkun, who is president of the People's Republic; Vice President Wang Zhen; Deng Yingchao, Zhou Enlai's widow; and hard-line revolutionary veterans Li Xiannian, Peng Zhen, and Bo Yibo, all of whom are in their eighties. Yang Shangkun and Wang Zhen appear to be in relatively good health, but the mental acuity and physical strength of the others are questionable. Chen Yun, Yang Shangkun, and Wang Zhen are often seen as conservative, though this varies from issue to issue.

Obvious contenders for the succession are the members of the Chinese Communist party Politburo standing committee, officially the highest institution in the party. This group comprises General Secretary Jiang Zemin, Prime Minister Li Peng, law and security expert Qiao Shi, propaganda chief Li Ruihuan, party organization head Song Ping, and economic overseer Yao Yilin (who is thought to be in poor health).

Other possible candidates for the succession include Yang Baibing, Yang Shangkun's younger half-brother and secretary general of the party's central military commission; Zhu Rongji, formerly mayor of Shanghai, who was recently appointed deputy prime minister of the State Council; Ye Xuanping, the son of Ye Jianying (one of China's most famous military leaders) and former leader of Guangdong province; and Zou Jiahua, chairman of the State Planning Commission, newly appointed deputy prime minister, and Ye Xuanping's brother-in-law. Several seventy-year-old leaders may also play a role, including ideologues Hu Qiaomu and Deng Liqun, and Zhao Ziyang, who may retain some following in the party.

Each of the elder leaders supports a coterie of younger leaders. Deng has lent his patronage to Jiang Zemin, Li Ruihuan, and Zhu Rongji on occasion. Chen Yun tends to support Li Peng and, to a lesser extent, Yao Yilin and Song Ping (both Yao and Song are in their seventies and neither is seen as a long-term successor). Yang Shangkun aids Li Peng and Yang Baibing.

²See Lowell Dittmer, "Bases of Power in Chinese Politics," *World Politics*, vol. 31, no. 1 (October 1978), pp. 26–60, especially pp. 48–49.

Of obvious importance to the succession is the order in which the party elders die. Leaders who count on Deng Xiaoping as their patron cannot expect much success if Deng is the first elder to die. Similarly, the more conservative younger leaders cannot expect much help if Chen Yun or Yang Shangkun dies first. At present a loose consensus among the elders gives Jiang Zemin and Li Peng the edge. But the death of even one of the elders may destroy this consensus, so the situation remains fluid.

In addition to clientelism, the elders managing the succession must consider factors such as "stability and unity," and the contenders' military support, "image," and political skills. The emphasis on "stability and unity" reflects the party's desire to avoid unchecked power struggles that would weaken its rule and disturb the current succession order. An overt power struggle could split the party, bring the people out into the street as in the spring of 1989, and threaten party rule. Thus there is a bias against anyone who initiates a struggle for supreme power; his career will be short if he loses the battle. This situation also gives the incumbents Jiang Zemin and Li Peng an advantage.

Military support is an obvious necessity for the successor. Which leader can call on the military and other forces of coercion to defend his position (or use force to seize power) if necessary? In this respect, Yang Baibing seems to be in the strongest position, but Jiang Zemin, Ye Xuanping, Zou Jiahua, and perhaps Qiao Shi can also rely on some military support. Zou currently heads the State Planning Commission, but before he held that position he was in charge of the defense industry, giving him important contacts with military professionals (Jiang Zemin also has experience in the military-industrial complex). All this makes Zou a dark horse candidate for the top leadership position.

The importance of image means that the best candidate is someone who was not intimately involved in the crackdown and suppression that began in June 1989. Selecting a leader without connection to the Tiananmen incident is intended to give confidence to observers abroad and to Chinese at home that reform will continue and expand; such a selection will implicitly acknowledge the leadership's errors in the crisis of 1989. This reasoning benefits Zhu Rongji, Ye Xuanping, and, to a lesser extent, Jiang Zemin.

Finally, political skills, intelligence, and other personal attributes will play an important role in the outcome of the succession struggle. It is difficult to assess the political skills of most contenders because they have lived so long in the shadow of their elders. But their instincts and political savoir faire will be of greater importance after the elders die.

THE LIMITS TO LEADERSHIP

Succession, however, is less significant today than it was five years ago because the direction of policy is so firmly established that who is in charge in China is no longer as important as it once was. Moreover, China's new leader will no longer command the authority that Chinese leaders did in the past, and he will have little leeway to execute bold new initiatives.

It is instructive to examine how the Chinese leadership has responded to domestic issues since June 4, 1989. In the Western and Hong Kong media, the leadership is portrayed as "hard-line." The leadership's rhetoric—and actions—in 1989 were harsh, casting doubt on the future of reform. But actual policy has changed much less than the rhetoric and actions would suggest, and many important economic reforms continue.*

For example, both Jiang Zemin and Li Peng criticized rural and collective industry in 1989. Yet this sector remains the fastest growing part of the Chinese economy. Hard-line leaders threatened to reinstitute central planning and reduce the influence of market forces. But even Li Peng has conceded the need to allow the market to regulate most production. Conservative leaders wanted to pursue a tight monetary policy, but credit has gradually been loosened (in a likely attempt by Li Peng to try to build support for his succession). Ad hoc price reform is under way, and capital markets are being introduced informally. The "open door" continues, with the coastal provinces still reaping most of the benefits.³ In fact, the Chinese state currently controls only about one-third of China's gross national product (GNP), a level no higher than that of many capitalist countries of Western Europe, such as France and Italy.⁴ In spite of the political climate, China's economic problems and the dynamics of economic reform have pushed economic reform forward, even if the Chinese media has not made the fact widely known.

Political reform is not proceeding, but subterranean currents may be creating the conditions for future change. The leadership at all levels is increasingly educated and technocratic; while this does not necessarily mean support for democracy and an end to one-party rule, it suggests that traditional ideology and the thought of Marx, Lenin, and Mao will be less useful to the new leaders than the ability to solve practical problems.⁵

*Editor's note: For a fuller discussion of the economy, see the article by Barry Naughton in this issue.

³On these points see Nicholas R. Lardy, "Redefining US-China Economic Relations," *NBR Analysis*, no. 5 (Seattle: National Bureau of Asian and Soviet Research, June 1991).

⁴Personal conversation with Nicholas R. Lardy, April 18, 1991.

⁵See Cheng Li, "The Rise of Technocracy: Elite Transformation and Ideological Change in Post-Mao China," doctoral dissertation in progress, Princeton University, Department of Politics.

Moreover, the central government has lost a great deal of its influence over the provinces, especially the coastal provinces. Before the Cultural Revolution (1966-1976), the Chinese state resembled the archetypal totalitarian state; it was extremely hierarchical, with the central government imposing its will on lower levels of government and on the public. The factional violence and chaos that wracked China during the Cultural Revolution left the party and the government unable to control much of the country.

Beginning in 1978, reforms were instituted without a full recentralization of authority; power was explicitly devolved to provincial and lower-level governments, enabling them to resist demands from the central government. The central government and the party now have to bargain with important provincial leaders. Guangdong and Jiangsu provinces in particular have been so successful as a result of the economic reforms that the central government has found it difficult to obtain their compliance with central policies.

A successor therefore faces entrenched regional interests that are not inclined to sacrifice their hard-won autonomy. No matter who the successor is, he will find it even more difficult than Deng Xiaoping did to impose central authority over the provinces.

PREDICTING THE OUTCOME

Deng Xiaoping's successor will likely be someone who responds to events rather than shaping them, someone who manages the Chinese ship of state rather than steering it in bold new directions, and someone who spends most of his time bargaining with important domestic groups rather than formulating a clear-cut ideology. This profile of a future leader reflects Deng's partial success in moving away from Mao's revolutionary leadership. Deng may have institutionalized the process of economic change, but in the realm of political reform his imagination, will, and political skill have failed him.

This legacy of failed political reform will prove the most troublesome issue for the successor generation. The party continues to strive to maintain its Leninist heritage, but in doing so it has become divorced from society at large. Chinese society is growing increasingly autonomous, diverse, and assertive as a result of economic growth, urbanization, growing literacy, and higher levels of education, and the old mechanisms of party rule cannot accommodate the change. This does not mean that the Communist party is in danger of imminent collapse. Many one-party states have survived a series of crises and continued to exist for extended periods. The cleavage between a growing

economy and a corrupt dominant political party is by no means unique in Asia.

Predicting the outcome of China's forthcoming succession struggle is problematic at best because of the possibility of unforeseen developments, new actors, and the appearance of heretofore unknown qualities of various Chinese politicians. But at least one scenario is highly unlikely when Deng dies: a repeat of the 1989 mass protests in Tiananmen Square.

First, the Communist party will undoubtedly dispatch large security and military forces to the square before a public announcement of Deng's death. After dramatic demonstrations in Tiananmen in 1976 opposing the Gang of Four and favoring Deng's succession, and in those in 1989 that called for Deng's and Li Peng's removal from power, the symbolic importance of Tiananmen is so great that every Chinese official has an interest in keeping the people out of the square. The leadership will attempt to resolve the succession crisis without allowing the people a voice, and in the short run it will succeed.

Second, it is not clear whom the Chinese people would favor in a succession struggle (although most urban Chinese, especially Beijing residents, dislike Li Peng). Moreover, any attempts at promoting a people's choice must be set against the events of the past two years. The regime has learned that protests must be quickly crushed, and with many of China's most famous dissidents abroad, it is unclear who would lead any anti-government activities.

The Chinese government will have to relax its vigilance at some point, and a contender for power who is in desperate straits may try to appeal to the people for support. It is unlikely that the immediate successors will be faced with another democracy movement. Nor is it likely that a leader comparable to Soviet President Mikhail Gorbachev will emerge in China, since none of the Chinese contenders for Deng's position possesses Gorbachev's political vision, energy, or youth.

But the lack of identifiable popular leaders and the state's efforts to avoid street demonstrations on the death of the octogenarians will not necessarily result in a perpetual public silence. The public will make its views known through its cooperation or lack of cooperation with the leadership's policies. Chinese intellectuals and others will press against the boundaries of state-defined orthodoxy whenever they perceive some cracks in the state's armor. The state must reach out to the key elements of the population whose support is required for economic development and modernization. The Chinese people will thus have their say in the choice of China's top leadership. ■

One of China's leading journalists, now living in exile in the United States, examines how China's leaders have "inherited the emperors' philosophy that 'guarding against what the people might say is more important than guarding the country'; they endlessly exaggerate the power of words and are sensitive to the point of paranoia that a slip of even one word or phrase in a newspaper might affect them adversely."

Fettering the Press

BY LIU BINYAN

The past 42 years are painful ones for the people of China to look back on, but there have been a few years worth cherishing: 1956 to spring 1957, 1978 to 1980, half of 1986, and 1988 to spring 1989. During these good years there were a few indications that China's rigid, frozen reality might be taking a turn for the better; one such indication was that China's newspapers were more or less truthful in their reporting of Chinese events. It was even possible to hear a few differing voices in China's mass media.

The insane series of executions, arrests, court verdicts, and political persecutions that has followed the June 1989 suppression of the democracy movement, however, has been accompanied by the sudden retreat of China's newspapers, magazines, radio, and television to the style and content of 30 years ago. All the political slogans and empty sermonizing that the Chinese had been sick of since the 1970s have returned in an overwhelming flood after a decade's absence.

Of course, this kind of political about-face—the Communists suddenly vilifying as reactionary the views they had praised only yesterday, branding as enemies the friends they had yesterday embraced—has happened repeatedly, and people have become accustomed to it. But between 1981 and June 1989 the hard-liners' counteroffensive had been all words and no action; only a few people suffered political punishment (being stripped of their right to publish, their party membership, or their job), and even the longest of the three so-called "anti-bourgeois liberalization" movements lasted only a few months.

Now the hard-liners' written attacks are backed up with armed force, resulting in arrests, imprisonment,

and exile; even if those suspected of being enemies are released from prison, they may be stripped of the jobs and homes they had before they were jailed. This bout of political repression has also lasted longer than previous ones; two years have gone by without a sign of relaxation.

In the history of the People's Republic of China, there are only two periods that can be compared with the political retrenchment that has taken place since June 1989. The first was the anti-rightist campaign of 1957, when between 10 percent and 30 percent of China's journalists were branded rightists (that is, enemies of the state). Then there was the so-called Great Proletarian Cultural Revolution (1966-1976), during which almost the entire country's news media were put under military control and many newspapers and magazines were shut down. These two movements brought Chinese society to a grinding halt and even put it into reverse. At the time, most Chinese still prostrated themselves before the absolute authority of the Chinese Communist party and its chairman, Mao Zedong, and were actually willing (though blindly) to accept the retrenchment, participating enthusiastically in the destruction of their own freedom.

The political retrenchment since 1989 has taken place in a completely different social climate. The anti-government demonstrations that occurred in more than 200 cities and towns throughout China from April to June 1989 clearly indicated that the Chinese people had reached the absolute limits of patience with their Communist rulers. The regime lost all legitimacy as a result of the bloody repression in Beijing on June 4. At the same time, economic reform and liberalization could not be reversed because of the benefits that China was deriving from them; nor could the regime turn back people's ways of thinking, which had become more diverse. As a result, the party lost control over society and ideology and became the object of insult and ridicule.

The Communist press in China has therefore revived the tactics of 30 years ago, manipulating words to

LIU BINYAN served as a special correspondent for the Chinese Communist party newspaper Renmin ribao from 1979 to 1987. While at the paper he became well known for his investigative reporting on corruption in the party. Liu was expelled from the party in 1987. In 1988-1989, he held a Nieman Fellowship at Harvard University. A collection of his essays has been published as China's Crisis, China's Hope (Cambridge: Harvard University Press, 1990). This article was translated from the Chinese by David M. Kamen.

preach to the people and using slogans to fool them and persuade them to follow orders. It has succeeded, however, only in making itself look ridiculous as well as pitiful. The Communist hard-liners are isolated and have few supporters, even in the party. The present efforts to strip the press of any freedom, and the official propaganda machine's accompanying hoarse clamor, are actually signs of the party's fear and desperation.

MANIPULATING THE MEDIA

For the Chinese Communists, "freedom of the press" does not exist. Like "political freedom," it appears only as a term of disparagement, used when criticizing the Western bourgeoisie. The party has been known to relent on media restrictions when that serves its purposes; in early 1957, under Mao's strategy of luring his political enemies out into the open only to annihilate them, the party mobilized people to criticize it in its own publications, but snatched this morsel of freedom away again only two months later. When Deng Xiaoping, now the paramount leader, was struggling to consolidate his position in the party, he gave a few Beijing newspapers a small amount of freedom in order to break through his political opponents' resistance to economic reforms and to rectify certain of Mao's political mistakes, but this was later withdrawn.

The Communist press has yet to admit the many big lies it has told over the years. For example, Stalin instigated the North Koreans to start the Korean War in 1950, but even today 99.9 percent of the Chinese people still believe—as was reported in the Communist press at the time—that the South Koreans started the war at the urging of the United States, and that the dispatch of a "Chinese People's Volunteer Army" was therefore correct.

When Mao launched the absurdities of the "Great Leap Forward" and the "people's commune" movements in 1957, newspaper reports of grain production grossly exaggerated the real figures. Although these two movements led to the great man-made famine of 1959–1962, in which 30 million people starved to death, many believe even now that it was caused by natural disasters. People are so accustomed to the term "three-year natural disaster" that was used to describe the famine that even after they find out that the catastrophe was not natural but man-made they persist in saying it.

How many millions of unfortunates were shot, tortured into confessions, and driven to suicide in the almost yearly political campaigns and movements from 1949 to 1976, and how many more were imprisoned for years or sent into exile, is still a riddle. Neither Deng Xiaoping nor any leading party cadre has ever displayed the slightest sense of responsibility for these events. And this silence about historical crimes has caused the Communist hard-liners (including Deng) to think that they have been correct in following Mao, so

that since 1979 they have confidently launched one anti-bourgeois liberalization campaign after another, seeking to return China to the way it was before 1966.

Mao's phrase, "political power grows out of the barrel of a gun," is an unconscious expression of two stubbornly held ideological tenets of the Communist ruling clique: that the new China was won only as a result of the 22-year struggle of the Communist armed forces, and that everything enjoyed by the people has been bestowed on them by the Communists. Naturally, those who bestow gifts have the right to take them back. In fact, since the Communist regime was established, it has removed even the limited freedom of the press and of expression enjoyed by the Chinese people before 1949, when private citizens could still publish a newspaper or set up a publishing company and authors could still publish their own books.

The Communists have inherited the emperors' philosophy that "guarding against what the people might say is more important than guarding the country"; they endlessly exaggerate the power of words and are sensitive to the point of paranoia that a slip of even one word or phrase in a newspaper might affect them adversely. Because they take credit for anything good that happens in China, they also think that anything negative that happens may not bode well for the party's authority. Therefore even natural disasters, traffic accidents, and legal disputes become "state secrets." In news reports of events like the 1976 Tangshan earthquake, for example, in which at least 200,000 people died, the figure indicating the intensity of the earthquake was reduced, and the number of casualties was not released until 10 years after the calamity occurred!

THE REFORMS AND THE PRESS

The past decade of economic reforms has been the most dynamic period of law-making in China since the Communists took power. But among all the laws promulgated, not one protects freedom of speech; on the contrary, the new criminal code contains many provisions for punishing speech. For example, Article 102 defines "counter-revolutionary incitement offenses" to include "counter-revolutionary speech" (any political views differing from the party's can be considered "counter-revolutionary speech"), Article 145 defines "insult and slander offenses," Article 138 defines "false accusation offenses," and Article 148 defines "false-witness offenses"; all can be used to penalize speech that the government does not like. Beginning in the mid-1980s, the Communists started to use the "slander offenses" law against journalists who criticized or revealed criminal behavior by officials. By 1988, lawsuits by officials against journalists throughout China had swelled to a flood.

In 1984 work began on drafting a "journalism law." Journalists proposed that the law should protect free-

dom of the press, but officials believed that there was already too much press freedom and that the law should limit it. Heading this legislative project was Hu Jiwei, the former editor-in-chief of *Renmin ribao* (People's daily) and a member of the Standing Committee of the National People's Congress. Despite several years of effort, not only was the journalism law stillborn, but Hu Jiwei was removed from the Standing Committee and subjected to severe internal party punishment after the 1989 repression. Among the reasons for this were Hu's proposal that party publications should first serve the people's interests and oversee the party, along with his persistent struggle with the hard-liners to protect and expand press freedom while he was in charge of drafting the journalism law.

Mention should also be made of Gan Xifen, the first professor of journalism during the Communists' Yanan period, who clung to his Maoist interpretation of journalistic theory until the mid-1980s. In an article published in August 1988, however, he summarized the corruption he perceived in Communist newspapers:

- They print too little information that the people urgently need to know and too much "news" they have no interest in;
- They don't tell the truth, and report only on what they think the people should be allowed to know;
- They sing the praises of the leadership and rarely criticize it, and do not oversee the government in any way;
- They print too little international news;
- Not a single newspaper dares to publish an opinion that differs from the official government view.

For Gan, these abuses occur because Chinese newspapers are subordinate to Communist party organizations at every level; to become real newspapers, they must become independent of the Communist party.

By Chinese standards this was an extreme position to take even in the late 1980s, especially for someone who had been seen as an extremely conservative professor only a few years earlier. Such changes in political attitude and journalistic philosophy on the part of veteran newspapermen Gan and Hu were a result of the social groundswell of the late 1970s. Reform and liberalization had opened people's eyes to the serious crisis created by so many years of Communist leadership and at the same time had given them hope that China could be put on a new road. The people were therefore dissatisfied with the party's unwillingness to reform the political system and its inability to cure internal corrup-

tion or resolve the problems Chinese society faced.

The masses' urgent demands for change inspired more and more journalists to summon the courage to break through the limits on press freedom and try to tell more of the truth to their readers. In early 1987 party hard-liners forced the resignation of Hu Yaobang, the general secretary and leader of the party's reformist faction, and expelled three leading intellectuals from the party because they had dared to speak the truth and demand greater freedom of speech.* At the same time, the party began its broadest movement yet against so-called "bourgeois liberalization," closing down two more newspapers. But none of this caused journalists to pull back; the influential *Zhongguo qingnian bao* (China youth daily) became more liberal, and even the official New China News Agency began to adopt a liberal tone.

During the spring of 1989, Chinese journalists achieved a great breakthrough in their struggle for press freedom. Many newspapers (almost all were official ones) raised the issue of China's "global citizenship," suggesting that the crises in China's economy, politics, population, culture, and environment were so severe that the country was in danger of being disqualified for membership in the world community. Reporters and writers jumped into territory that had been forbidden for years and revealed the truth about past events like the persecution and execution of the famous writer Wang Shiwei by the Communist leadership at Yanan in 1942, the anti-rightist campaign of 1957, the great famine created by Mao, and the massacres of the children of landowners and rich peasants during the Cultural Revolution.

Almost all the major crises China faced were exposed, one by one, in the pages of newspapers and magazines. Demands for the establishment of independent popular newspapers were also openly made. In March 1989 the New China News Agency reported that a survey of the delegates to the National People's Congress showed that 93 percent supported the idea that the news media should be a platform for popular political debate and should be permitted to present a variety of views.

THE PRESS AND THE DEMOCRACY MOVEMENT

When the democracy movement began in Beijing in April 1989, more than 500 reporters and editors of all ages took to the streets in support of the student demonstrators. Fierce internal struggles broke out in almost every news organization in the capital as journalists who supported the democracy movement pressed the more conservative and cautious cadre to take a clear stand on the side of the students.

Winning freedom of the press became one of the major goals of the democracy movement. The Shanghai party revolutionary committee's decision to suspend Qin Benli as editor-in-chief of *Shijie jingji daobao* (World

*Editor's note: The three were Liu Binyan; the writer Wang Ruowang; and the physicist Fang Lizhi.

economic herald) and the forced closing of that publication angered students and intellectuals in Beijing. After Beijing University students began their hunger strike in Tiananmen Square on May 13, the Beijing media (with the tacit approval of General Secretary Zhao Ziyang) completely reversed their 40-year-old policy of either silence on or flagrant vilification of all dissenting views, and for the first time reported truthfully on the democracy movement with long articles and photographs. Some newspapers continued this kind of reporting after Prime Minister Li Peng declared martial law in Beijing. Even after the military massacre had begun there on the night of June 3, a few editors and reporters revealed the truth about the bloody repression to China and the world.

In the arrests, purges, and persecutions that followed, journalists suffered the heaviest penalties among intellectuals. In Beijing and the provinces many editors, reporters, and printing-plant workers were arrested. Almost all news media workers at the management level were replaced. Those suspected of sympathizing with or participating in the democracy movement were forced to stop working, and were subjected to endless political investigations. The editor-in-chief and five assistant editors of *Renmin ribao* were fired, and five of these six were subjected to party disciplinary measures. Of a group of more than 100 young editors and reporters considered supporters of liberalization, more than 20 were exiled to poverty-stricken rural areas for "thought reform."

Many newspapers, radio stations, and television stations were taken over by the military in the aftermath of the Beijing massacre. At least 10 percent of all newspapers and publishing houses were closed. A set of "Standards of Professional Morality for Journalists" was promulgated by the government, prescribing that "journalists must make every effort to propagate Marxism-Leninism and Mao Zedong Thought, and to propagate the principles and policies of the government. [In their writings] journalists must concentrate on the positive side, . . . [which] is the reflection of the aspirations of the masses."

Two years have passed since the Tiananmen massacre, but the purges of journalists continue. The devastating revenge wrought on them by the hard-liners has already surpassed that taken during the Cultural Revolution.

Because of the Communists' fear and lack of self-confidence, they have exercised even tighter control over the media than before 1981. The execution of Romanian dictator Nicolae Ceausescu in December 1989 so terrified the Beijing regime that it allowed the media to report the execution only in a single cursory sentence. The regime secretly rejoiced over the strikes and nationality conflicts in the Soviet Union, but because it was fearful that these might provoke similar

actions among the Chinese people, it also restricted reporting about them.

Locking up the media has not been enough; to assure social stability the government has felt it necessary to fabricate news. When the television station in the Sichuan city of Chengdu broadcast a documentary on two Hong Kong demonstrations of more than 1 million people each in support of the Beijing democracy movement and protesting the Communists' declaration of martial law, the voice-over commentary claimed that the Hong Kong demonstrators were demanding that the British government hand Hong Kong back to China before 1997!

In order to prove that the Chinese Communist regime has not lost its legitimacy, the government has recently compiled a survey entitled "*Daxuesheng sixiang zhuanbian qingkuang*" (Thought changes among university students). This survey found that, after having reflected on it for a year, 87 percent of university students feel that their political thought has "progressed very greatly"—and that the 54 percent of students who felt that China should stay on the "socialist road" before June 4 has now increased to 80 percent. As many as 81 percent feel that "the disorders have destroyed the peaceful and unified political situation."

The difference between Chinese newspapers today and during the Cultural Revolution is slight, except that today's papers believe they must present evidence to prove the correctness of the party's position. In the past, no evidence was needed because newspapers faced a different kind of audience. But the readers of the 1990s are much more discerning; they ask: "What's true in the paper? The publication date! What is the real news in the paper? The weather forecast!"

In fact, people are deserting the Communist media altogether; audiences for the Chinese-language broadcasts of the Voice of America, the British Broadcasting Corporation, and the Japanese Broadcasting Corporation are growing rapidly. An underground press is also emerging; in Beijing alone there are three underground newspapers.

Those reporters and editors who have not been arrested or stripped of their right to work still face the daily task of writing about matters they detest and helping to disseminate such material. Few of them respect the current regime or believe that it can survive the next five years. Beyond using every gap in a newspaper in a tortuous attempt to transmit a little of the truth to their readers, they can only wait. But the efforts of journalists between 1986 and 1989 made it possible for a few official newspapers to be transformed into something not very different from an independent popular press; is there any reason to think that this could not happen again? More than most people, journalists feel how near the next explosion of China's social crisis may be. They believe that an era in which a truly independent and free press can be established in China must not be far off. ■

"While the current leadership looks more favorably on further economic reforms, it remains an open question whether it is prepared to take the risks associated with them. In the last two years the leadership has repeatedly subordinated economic to political considerations."

The Economy Emerges from a Rough Patch

BY BARRY NAUGHTON

In late 1989 China's new hard-line leadership, which had come to power after the crackdown on the democracy movement in Tiananmen Square in June, put forward a program that would subject the economy to increased central government control. In doing so the hard-liners repeated a pattern that has long characterized the Chinese economy. In the past decade the economy has undergone several periods of vigorous growth that was associated with economic reform and decentralization. Each of these periods has ended when overly rapid growth led to inflation and shortages of energy or foreign exchange. When problems with the economy mounted, conservatives gained power and temporarily implemented policies of austerity and recentralization. The most immediate problems were soon overcome and the economic changes were digested. When this stage was reached, more liberal policymakers regained favor and resumed economic reform.

However, there were reasons to fear that this time the conservative reconrol of the economy would be more serious than before. After the suppression of the democracy movement, the takeover by hard-line conservatives in midyear marked a much more abrupt shift in power than had been the case in the past. The influence of reformers in the top leadership was not temporarily diminished: an entire group of reformers was eliminated, and the position of the hard-liners was strengthened to an extent unseen for many years. As a result, hard-liners had greater freedom to pursue their own agenda than before. Conservatives like the

economist Chen Yun and Deputy Prime Minister Yao Yilin regarded this as an opportunity to move to a much more tightly controlled economy, with a more powerful, centrally controlled state sector and less room for markets. Hard-liners could carry out not just a temporary suspension but a significant rollback of reforms.

But, contrary to expectation, reforms were not significantly rolled back. By the end of 1990 the hard-liners had not attained their objectives, and the political pendulum was swinging back in favor of renewed reforms. Most of China's economic reform policy remained intact. Thus the policies of austerity and reconrol were one more cyclical episode, rather than a qualitative change in economic strategy. While the hard-liners have reversed the political liberalization of the late 1980s, they have not been able to reverse the economic reform program.

ELEMENTS OF THE PROGRAM

The hard-line policies in effect during 1989 had two main components: macroeconomic austerity and government reconrol. The macroeconomic austerity program was carried out with remarkable rigor. Investment was limited, and government spending was reduced. Worker incomes, which had been eroded by inflation, were held at low levels. Within a few months these policies effectively cut inflation and reduced overheated growth rates. The Chinese leaders had shown that they could, at least temporarily, restore order to the economy.

Most of the leaders wished to go further. The hard-liners claimed allegiance to a general ideal of economic reform and opening to the outside world, but they were in fact hostile to some key components of the reforms that had been carried out through 1988. In November 1989, the Chinese Communist party Central Committee passed a resolution on economic rectification known as the "39 Points," which called for a significant retreat from economic reform.¹ Most crucially, the 39 Points called for a central plan that would cover more commodities than previous plans; planners would directly

BARRY NAUGHTON is an economist who teaches at the Graduate School of International Relations and Pacific Studies of the University of California at San Diego. He has written extensively on Chinese industry and macroeconomic problems, and is currently completing a book on Chinese economic reforms.

¹"CPC Decision on Improving Economy," translated in Foreign Broadcast Information Service (FBIS), China: Daily Report, January 18, 1990, pp. 24-37.

control a greater proportion of those commodities already incorporated in the plan.

The resolution also called for the gradual elimination of the "two-track" pricing system that was the most characteristic component of China's reform strategy. Under this system, most goods had a low, state-set price and a higher, market-determined price when the goods were sold outside the state plan. In the two-track system nearly every producer participated in the market for at least some proportion of sales and purchases. The primary means outlined to eliminate two-track pricing was to intensify government price controls on transactions outside the plan. The resolution intended to shrink the role of the market and increase that of the plan.

Hard-liners also indicated their preference for a larger, more interventionist government by calling for an increase in government revenues as a proportion of gross national product (GNP). They proposed an "industrial policy" that gave preference to large state-run factories producing energy and heavy industrial materials. This sectoral industrial policy was explicitly put forward as a substitute for the regionally based coastal development strategy promoted by Zhao Ziyang while prime minister; under this strategy, preferential treatment was given to export-oriented production, usually of labor-intensive light manufactures. The conservative leaders also criticized rural industries for competing with state-run factories, and called for a reversion in development strategy to one that resembled the traditional socialist pattern of heavy industrial development.

Not one of these changes was carried out. The central plan was not expanded to cover additional commodities, and the proportion of key commodities allocated by planners continued to decline. For example, the proportion of total finished steel allocated by the central government dropped to 31 percent, its lowest level ever, and other key commodities like coal, lumber, and cement showed similar trends. After some hesitation, Prime Minister Li Peng announced renewed support for the coastal development strategy in the spring of 1990. The proposal to increase budgetary revenues was also unrealized: during 1990, total government revenues (including all subsidies) slipped to 20 percent of GNP from 21 percent the year before.²

Moreover, by the end of 1990 the pendulum had clearly swung in favor of a tentative re-endorsement of further reforms. In December the Communist party approved an outline for the Eighth Five Year Plan

(1991–1995), which included a section on economic reform that reversed nearly all the proposals outlined in the 39 Points.³ Most fundamentally, the plan outline advocated continued movement toward a market economy. While still calling for the gradual elimination of the two-track pricing system, the plan outline described methods to achieve this objective that were completely opposite those in the 39 Points resolution: it asserted that, except for a few crucial commodities that would remain under price control, China would gradually allow the market to determine all other commodity prices. The possibility of moving to world market prices for some commodities was endorsed.

Why was the hard-line program for the economy so thoroughly repudiated? Political maneuvering was one important reason. Li Peng, doubtless considering the succession to paramount leader Deng Xiaoping, distanced himself from the extreme hard-line program and endorsed key elements of the economic reform program. But the more important reason for the shift was economic: the hard-line program was neither feasible nor necessary.

THE RETREAT FROM AUSTERITY

By the end of 1989 austerity policies had begun to cut China's economic growth sharply and the specter of inflation was fading. Tight controls on investment and monetary policy during that year had reduced demand for investment goods, and Chinese households cut back on purchases because the austerity policies, combined with remaining inflation, had reduced real incomes. The sharp rise in interest rates had drawn money into bank accounts and away from consumer goods, and households began to postpone purchases instead of rushing to buy as soon as possible because their expectation of a better future had changed.

Market prices quickly began to respond. Led by rapid reductions in the free market prices of agricultural products, consumer prices overall began to fall. By December 1989 free market prices were seven percent lower than the year before. The urban consumer price index was still four percent above the year before, but in reality prices declined after September. Market prices for industrial goods purchased by factories also declined rapidly at the beginning of 1990. Factories found themselves without markets for their output; many responded by furloughing workers on half-pay.

The impact was especially severe for private and rural enterprises. After reaching a peak employment of 25 million at the end of 1988, the private sector lost 4 million jobs during 1989. A similar pattern emerged in nonagricultural employment of rural residents—primarily in rural collective industries and small-scale commerce—which had been growing rapidly for years. Such employment reached a peak of 95.5 million during 1988—one-fourth of the total rural labor force—but

²Unless otherwise noted, all data are from the statistical reports published in *Renmin ribao* [People's daily] on January 17, February 23, and March 14, 1991, or the *China Statistical Yearbook 1990* (New York: Praeger Publishers, 1991).

³"CPC Proposals to 7th Central Committee Plenum," translated in FBIS, *China: Daily Report*, January 29, 1991, pp. 14–34.

austerity policies reduced this to 92 million by the end of 1989. Ironically, this reduction in rural industrial employment was caused primarily by market forces, not by the recontrol imposed by hard-liners. Some 100,000 rural enterprises were closed in 1989 and 1990, but these accounted for only one-half of one percent of all rural enterprises, far smaller than the percentage of enterprises that go bankrupt annually even in normal years.⁴

These results occurred because China's planners had implemented an overly strict austerity program. Not recognizing that inflation had already eroded the effective purchasing power of households and factories, planners clamped down hard on investment from the banks and government budget. In doing so they over-shot their objective of stabilizing the economy and taming inflation, and instead engineered an economic recession that was larger than they had intended. Though especially intense in the market-oriented private and rural sectors, the downturn spread throughout the economy.

China's planners were faced with a peculiar dilemma. Hard-liners had come to power stressing the need for control over the economy, which they saw as threatened by excess demand and inflationary pressures. But by the beginning of 1990 the situation had shifted completely. Consumer demand had indeed been slashed, but this had taken place not because of a revival of central planning, but rather through shifts in market conditions caused by the same macroeconomic policy measures that capitalist economies use. The entire motivation for the program of recontrol evaporated before planners had a chance to do anything useful with their much-vaunted industrial policy. Even the decrease in the rural industrial sector, which they had demanded, owed nothing to their schemes to rationalize the economy. Instead, planners were struggling to control a market economy.

By the end of the first quarter of 1990, planners were concerned about the economic conditions they had created and the unstable political situation in China and in other Communist countries. They were particularly concerned about the changes in Romania, which had long been on friendly terms with China. After the December 1989 popular uprising that led to the fall of Romania's Communist government and the execution of Romanian President Nicolae Ceausescu, China's leaders began to worry that large-scale unemployment and underemployment in China might lead to unrest among urban workers. The leaders decided they must get workers back to the factories, and factories working again, by any means necessary.

AN EMPHASIS ON SOCIAL STABILITY

China's leaders put great stress on social stability because they were aware of their great unpopularity—particularly in urban areas—since the Tiananmen incident in June 1989. Brute force was used to control the population in 1989, but during 1990 the leaders sought to use a more sophisticated carrot-and-stick approach to maintain power. That policy had three key elements: first, re-establishing price stability and controlling inflation; second, returning workers to their jobs and raising their incomes to counteract past inflation; and third, strengthening Communist party authority in the workplace.

Factories were ordered to recall furloughed workers, regardless of whether there was a need for them. To support this policy, the government began to pump money back into industry. Bank credits went directly to factories to enable them to maintain production. Total credit increased 22 percent in 1990, a remarkably high rate considering that prices had barely increased and the economy had hardly grown. Factories were ordered to produce regardless of demand for their output: bank credits were used to finance the accumulation of unsold output. Unsold inventories of completed industrial products increased by 45 billion yuan (Y) during 1990. By comparison, the increase in net industrial output was only about Y32 billion; virtually all the increased industrial output went into warehouses.

This decision to employ workers at any cost was significant. For several years Chinese factories had been becoming increasingly market oriented. Factory managers had been repeatedly urged to produce goods the market demanded, and managerial pay had been linked to success in expanding market sales. While still inefficient and riddled with bureaucratic restraints, Chinese factories had nonetheless begun to orient themselves to the market and had begun to think of themselves as profit-making entities.

Suddenly these same factories were instructed to produce goods that no one wanted. Bank credits were made equally available to efficient and inefficient producers—all were urged to keep production up. Once again, factories were told to subordinate economic to political considerations. This change was exacerbated by an increase in Communist party influence. Since 1985 Chinese factories had gradually been shifting to the factory manager responsibility system. While this system had many components, one of the most important was the virtual elimination of the power of Communist party secretaries in the factories. Each factory continued to have a party secretary, but his authority gradually declined, and in most factories he lost his full-time administrative staff.

During 1990 factories were ordered to reestablish their party branches and provide them with a full-time staff. A new slogan proclaimed, "The manager is the

⁴"Press Conference with He Kang," *Renmin ribao*, March 30, 1991.

center, and the party committee is the core, of the enterprise." Managers objected that the distinction between center and core was nonsensical and created a confusing form of dual leadership, but there was little they could do. These changes were a major step backward that seriously impaired the status of factories as profit-oriented economic corporations.

The flood of bank credits into industry and the stress on social stability also meant that worker wages began to rise again—a result the government hoped would buy support from the urban working class. During 1990 urban wages grew 10 percent (after accounting for inflation), even though labor productivity did not increase. This contrasted sharply with trends in rural incomes, which were depressed by the recession in rural nonagricultural occupations through most of the year. Moreover, farmers gained little benefit from the large harvest at year's end, since weak demand had caused a rapid drop in free market grain prices. Overall, Chinese household surveys show real rural incomes increased by only 1.8 percent during the year.

China's planners expected that increasing credit to industry would quickly bring the economy out of recession. However, they were disappointed. Credit expansion stopped the reduction in industrial output, but it failed to bring the economy out of its more general slump. Credit policy became exceptionally loose, but was not consistent with overall demand policy since the expansion of credit did not immediately address the economy's more fundamental problem, which was the lack of final demand. Paradoxically, planners were keeping a tight rein on investment projects while pumping credit to the enterprises that produced investment goods. A factory wanting to install a machine in a new plant could not obtain bank credit to finance its purchase, even though the factory that produced the machine had access to bank credit to produce it. The result was that the machine sat idle in the warehouse of the producing factory.

Surprisingly, consumers continued to react cautiously. Notwithstanding a 10 percent increase in real urban incomes, purchases of consumption goods did not increase at all. The 2.1 percent increase in consumer goods prices was enough to wipe out the 1.9 percent increase in nominal consumer good sales. Household savings, however, skyrocketed 37 percent. Consumer goods were abundant, but no one was buying.

The shift to expansionary policies eventually trickled down to the marketplace. Consumer demand increased slightly in the fourth quarter of 1990, and grew vigorously during the first quarter of 1991. As demand revived, industrial production—particularly production of consumer goods—also began to pick up. Ironically, some of the first beneficiaries of the revival of consumer demand were private and rural enterprises. Private businesses regained nearly 2 million jobs dur-

ing 1990. The current total of 22.7 million workers, while still below the 1988 peak, represents a significant recovery.

A similar picture emerges with respect to rural industry. While employment data are not yet available, output was growing strongly again by the end of 1990. In the first quarter of 1991, revived market conditions had returned rural industry to its status as the fastest growing industrial sector. In that quarter rural collective industries grew 29 percent over the same period in 1990, compared with 10 percent for state-run factories.

Thus by the end of 1990 China had resumed economic growth, but not on the terms originally sought by the hard-line leadership. The leaders discovered that their economic program had had little effect and had been repeatedly swamped by changes in macroeconomic policy. Markets responded quickly to changed conditions while planners were still drafting policies for future implementation. In effect, the planners' initiatives became obsolete before they could be carried out.

ACHIEVEMENTS OF THE PLANNERS

While planners were not successful in imposing their overall vision on the economy, they were able to use direct controls to obtain their objectives in three areas. First, they engineered a large export surplus. China had run trade deficits of various sizes since 1985. This was generally healthy, since China's rapidly growing economy made good use of the credit extended from abroad. But after June 1989 an embargo on new credit was imposed on China in response to its human rights abuses. With a total foreign debt of \$45 billion and access to new credit denied, China's leaders had to shift the trade deficit to a trade surplus quickly in order to ensure their ability to repay debt.

In this respect government controls over the economy were useful. The government started an export promotion drive and placed strict controls on imports. Aided by slack domestic demand, the government transferred resources abroad quickly, generating a large export surplus. According to Chinese figures, exports increased 18 percent, to \$62 billion, while imports dropped 10 percent, to \$53.4 billion. The \$9-billion trade surplus—augmented by a traditional surplus on non-trade items—swelled China's foreign exchange reserves.

The large trade surplus enabled China's leaders to maintain intransigent political attitudes in spite of the credit embargo, but at the cost of exacerbating trade tensions with the United States. Indeed, the surplus with the United States was even greater than the overall trade surplus and reached \$10.5 billion during 1990. This surplus became a major issue that contributed to opposition in the United States to renewing China's most-favored-nation trade status in June 1991.

While restricting imports, China was also able to

keep direct foreign investment from declining substantially after the Tiananmen incident. Actual direct foreign investment in 1990 was \$3.4 billion, and new commitments of foreign capital (both loans and direct investment) amounted to \$12.3 billion. Both were about the same level as they were in 1989, reflecting a drop in actual investment during the second half of 1989 and the first half of 1990, followed by an increase in the second half of 1990. Several important commitments by European automakers—negotiated before the crackdown but put on hold—were resumed at the end of 1990. The most important change, however, was the large inflow of capital from Taiwan, which reached significant proportions during 1990. Total investment surpassed \$1 billion during the year, more than half of which went to Fujian province. By the end of 1990, 877 Taiwanese-invested enterprises were registered in Fujian, with an authorized Taiwan capital share of \$1.18 billion.⁵

The planners' second major achievement was an increase in agricultural output by emphasizing agricultural production. The government intensified efforts to direct state controlled supplies of fertilizer and chemicals to farmers. The government also revived the traditional practice of mobilizing farmers during the winter season to build and repair irrigation networks. The Chinese claimed to have built or repaired irrigation networks equal to 4 or 5 percent of the existing irrigated area, which was 40 percent more than the previous year.⁶ In addition the slump in rural industrial activity meant that more rural residents were actively engaged in farming than in previous years.

As a result of these measures, total grain output reached 435 million metric tons, the country's largest harvest ever. Moreover, substantial increases in cotton and oilseed production were also registered. By the end of the year stocks of agricultural products were abundant. Nevertheless, it was not a particularly good year for China's farmers since they worked harder but did not see their incomes noticeably increase.

The planners' third success was increased investment in energy and transportation. Total fixed investment grew 4.5 percent over 1989, but investment in state-owned enterprises increased 10 percent, while investment in collective and private firms declined 3 percent and 6 percent respectively. The share of state investment devoted to energy and transport increased by 16 percent and 46 percent respectively, raising their combined share from 39 percent to 44 percent of total state investment. These changes in state investment reflect tighter administrative controls on the investment process.

PROSPECTS FOR THE FUTURE

By the beginning of 1991, China was emerging from the 1989–1990 recession and resuming moderately rapid growth. Official statistics show a five percent increase in GNP for 1990, but nearly all real growth came in the final quarter because of the good harvest and the revival of industrial production. Economic planners could claim four substantial successes over the past year. First and most important, they stopped inflation through strict austerity programs. In addition, they expanded supplies of agricultural products, increased foreign exchange holdings through the trade surplus, and upgraded energy supplies by giving priority to energy investment. All four successes increased the maneuvering room for economic policymakers. The economy now has fairly abundant reserves of the most important commodities and is poised to resume growth.

Potentially serious challenges still face the economy. The social stability policies adopted by the planners have left them with significant economic problems. By deciding to prop up most factories, the Chinese leadership has guaranteed the state a heavy financial burden, as well as substantial regression in the reform process.

If market forces had been allowed to operate in the state sector, China would have benefited from the closing of the least efficient producers; this would have released resources to more efficient competitors. By blocking that process, China's leaders ensured a continuing drain on the economy. Ironically, this drain on resources has prevented the leaders from achieving their goal of increasing government revenues. Industrial profits are the main source of budget revenues in China; given the twin impact of recession and subsidies to inefficient producers, industrial profits declined substantially during 1990. As a result, budget revenues continued to erode.

Most significant, the policy of propping up factories retarded the gradual conversion to a market-oriented economy. While the current leadership looks more favorably on further economic reforms, it remains an open question whether it is prepared to take the risks associated with them. In the last two years the leadership has repeatedly subordinated economic to political considerations. The hard-liners have created stumbling blocks to the economic reform process with the erection of new ideological obstacles to marketization. This creates a political atmosphere that discourages risk-taking among potential entrepreneurs and among the leadership.

For the coming year, however, economic prospects are fairly good. There will be vigorous economic growth in 1991, and the combination of comfortable levels of reserves and healthy growth may encourage China's leaders to take steps toward further economic reforms. These steps are likely to be too cautious and too tentative, but one can hope that future economic and political changes will permit real progress. ■

⁵Ibid.

⁶*Renmin ribao*, February 14, 1991.

China's youth generation, 300 million strong, "will present the successors to the current geriatric leadership with one of their most potent challenges." The spread of "international youth culture" and the frustrations of young people facing diminished prospects have already created social—and political—problems.

Chinese Youth: The Nineties Generation

BY BEVERLEY HOOPER

What's the nineties gonna bring?" screams Chinese rock star Xie Chenqiang. Since the Communist revolution, each decade of Chinese youth has had its own defining characteristics, from 1950s idealism to 1980s disaffection. But what will they be for the 1990s, for a youth generation that has become a center of attention inside and outside China?

As officially defined in China, the nation's current youth generation—those from 14 to 25 years old—numbers approximately 300 million people, or more than one-quarter of the population. This high proportion is the outcome of a baby boom that lasted from the early 1960s to the mid-1970s. Although the youth component may decline slightly in the short term, it will begin to increase again early in the next decade, unless birth control policies are more effective than they have been to date.

China's Communist leadership has stressed the role of youth. "Our hopes are placed on you," Mao Zedong said to Chinese youth more than 30 years ago, and this is probably even truer in the early 1990s. With the country deprived of an entire generation of skilled personnel because of the Cultural Revolution, the youth of the 1980s and 1990s will inherit the senior positions currently filled by those trained before 1966.

In April through June of 1989 the world media focused on the elite among China's youth—university students in the nation's capital—as they defied political leaders to speak publicly of their grievances and hopes. Despite the surprise of some at the vehemence of the

protest, the socioeconomic and political bases of China's officially acknowledged "youth issue" (*qingnian wenti*) had existed for much of the post-Mao era and have persisted in the period since the crackdown on the democracy movement in 1989.¹

Generalizing about Chinese youth is difficult because of factors such as class, locale, and gender; the privileged lifestyle of a successful young entrepreneur or of the children of high party officials (the so-called *gaoganzidi*) is worlds removed from that of an unemployed youth in the same city or a semiliterate teenage peasant in a poverty-ridden province.

Yet all members of the nineties youth generation are, essentially, products of the post-Mao reform era. The oldest were born in the early part of the Cultural Revolution and were in their middle years of primary school when Mao died in 1976; the youngest have lived entirely in the post-Mao era. With few if any memories of the heavy-handed ideology and austerity cult of Maoist China, much less of the Communist revolution or earlier, these youths are growing up in a very different environment than did their parents, or the nation's now-elderly power holders before them. Today's young people are living through the period of greatest change in their lives—adolescence, finishing their education, competing in the job market, forming personal relationships—at a time of rapid economic and social change. The heady atmosphere created by increasing exposure to the products and ideas of the outside world and by increasing differences in income and status in China is set against the promulgation of outdated dogma by the country's geriatric policymakers.

THE ASPIRATIONS GAP

The two years since the Tiananmen Square massacre in June 1989 have seen a widening gap between the high hopes engendered by the promise of modernization and the everyday reality of job shortages and sociopolitical control. This reality presents serious obstacles to what have been called the "black, red, and

BEVERLEY HOOPER is East Asia Coordinator of the Asia Research Center at Murdoch University in Western Australia. Her books include *Inside Peking: A Personal Report* (London: Macdonald and Jane's, 1979), *Youth in China* (New York: Penguin Books, 1985), and *China Stands Up: Ending the Western Presence, 1948-1950* (Boston: Allen and Unwin, 1986).

¹See Beverley Hooper, *Youth in China* (New York: Penguin Books, 1985).

gold" aspirations of ambitious young Chinese: the black graduation gown worn by university graduates overseas, notably in the United States; the red of the senior government official; and the gold symbolizing the successful businessperson.

The "black" pathway to success—studying abroad, whether as the route to a good job in China or to living abroad permanently—has been an important one for urban youth since early in the post-Mao era. Now it is a national obsession, officially described as "going-abroad fever." Young people, from university students to train attendants, speak openly of their desire to go abroad and of the people they know who are already in the United States, Australia, Europe, or Japan. Overseas study was originally conceived of as an integral part of China's modernization program, but official policy has seesawed between encouraging students to go abroad and imposing restrictions on their departure from China.

Not just party officials but university professors are concerned about the "brain drain" and the crisis that seems bound to occur in a decade or so when many senior professionals retire. In early 1990 the State Education Commission announced that graduates wishing to go abroad would first have to work for five years—or repay the costs of their education before leaving. But as one senior university scholar told me, "Anyone can go abroad if he has the right personal connections."

For most Chinese, though, overseas study is little more than a fantasy that they might meet a foreigner who will offer to sponsor them. The educational reality has been declining opportunities and even aspirations. Certainly some people continue to regard a university education as the primary means of securing a satisfying job; in a survey conducted last year by the sociology department at Beijing University, the top-ranked occupations were engineer, professor, physicist, and doctor. There are still about four times as many students taking the annual national entrance examinations as there are college places. The recent Chinese feature film *Cardamom Years* graphically illustrated the psychological pressure faced by students from teachers anxious to improve their school's reputation and parents concerned that a son's or daughter's failure would mean a loss of face for the whole family.

Despite the competition to get there, university campuses reflect the general malaise that characterizes Chinese society in the early 1990s. Although China's students were never quite as hard-working as officially portrayed, the past few years—both before and since the Beijing massacre—have seen declining enthusiasm and discipline at the country's universities. The prob-

lem of cheating on examinations has reached the national media, which has reported on students paying others to take tests for them and on the so-called "mutual aid cheating groups" that, through bribery or theft, gain access to questions before the exam. The university dropout, something Chinese university administrators could not comprehend in the early 1980s, has now become common.

A similar pattern of declining incentive, idleness, and dropping out before the completion of studies is also apparent at the secondary (and in rural areas, the primary) level. Even though nine years of compulsory education became national law in 1986, in practice about one-third of China's children do not go on to junior high school. And each year up to 2 million students (mostly in poorer rural areas and up to 70 percent of them female) drop out before completing even six years of primary education, adding to China's estimated 180 million illiterates.

An alternative to the "black" fantasy of overseas education or even to university study in China is the "gold" aspiration to become part of the nouveau riche in the diversified economic structure of the post-Mao period. Once frowned on, employment in collective and private enterprises has improved in status because of the potential profits, set against the decline of lifetime job security in state-sector employment. This is particularly true in the commercially oriented south. In a survey last year of occupational choices, Guangzhou residents put managers and owners of private enterprises near the top of the list.

The lure of gold affects youth of all ages, starting with university graduates reluctant to go on to further studies; applications for graduate programs have declined almost 30 percent annually for several years. Rising dropout rates at all educational levels are partly attributable to the temptations of the commercial world. There has also been an increased use of child labor in rural industry and service occupations (particularly in the rapidly developing southeastern coastal provinces); child labor has become so widespread that in April 1991 the central government issued special regulations banning the employment of children under 16. The government's warning that it would "use every legal means to stamp out child labor" appears to have had little effect, as even a casual glance around local markets confirms.²

The "red" aspirations of Chinese youth—a high-level official position and its accompanying perquisites through advancement in the Chinese Communist party—have waned in the post-Mao era and took a further tumble after the tumult of 1989. But despite general contempt for the ruling regime, disaffection with the party, and widespread distrust of officialdom at all levels, some young Chinese are still prepared to pay lip service to official ideology as a means of getting ahead.

²China Daily (Beijing), May 7, 1991.

These are the wholesome-looking young people who represent "Chinese youth" on official occasions and who recite the approved ideology at televised functions.

Whichever route young people choose to fulfill their aspirations, the outcome often falls short of expectations. There are, of course, the graduate success stories: those who land much-sought-after but currently rare jobs in joint ventures with perquisites including opportunities for travel, or positions in top government ministries in Beijing or Shanghai. There are also the successful new entrepreneurs, working in collective and private enterprises that account for almost 30 percent of all urban employment. China's economic and social diversification has spawned opportunities in occupations that did not exist in the austere Mao era—from fashion designer and performer to private restaurateur and hairdressing salon proprietor.

Young people holding these and similar jobs make up the economic and social elite of the nineties youth generation. They can be seen shopping for upmarket clothing—Hong Kong-style high fashion rather than Western-type chic or casual gear—in the exclusive boutiques of Beijing and Shanghai. The average young woman in China opts for the occasional piece of costume jewelry costing the equivalent of \$5 or \$10, but the elite prefers diamond or sapphire brooches and rings at \$1,000 or more apiece. For the youthful newly rich, the places to be seen are the discos and Japanese-style sing-along bars of the Hyatts, Hiltons, and Sheratons in the major cities. (Entrance to the singalong bar at Beijing's luxury Palace Hotel costs 70 yuan [\$US14], more than one week's average urban wage.) Personal connections—rather than access to foreign exchange—enable the privileged literally to rub shoulders with foreign businesspeople in the hotels' health clubs. This lifestyle is creating a new and unprecedented level of aspiration, or at least envy, among Chinese youth.

ON THE LABOR MARKET

There is a huge contrast between the glamorous world of hotel bars and health clubs and the life lived by most young people in China. University graduates must deal with corruption and the importance of personal connections in the job assignment process, which leads to disillusionment even for some of the brightest. Female graduates have particular problems, as they are discriminated against by potential employers reluctant to provide maternity leave and child care facilities. And for every executive trainee in a joint-enterprise hotel there is a reception clerk with a mathematics degree or a science graduate working as a room service waiter—victims of the government's recently instituted economic austerity program.

Although the media advise such young people to adapt themselves to their humble positions, the inevitable result is frustration, boredom, and anger that less qualified fellow graduates have received plum assignments because of bribes or relatives' connections. Even so, a mundane job in a major city is considered preferable to the dreaded "remote province" assignment in Xinjiang or Tibet. That was the fate of some 2,600 of Beijing's 30,000-odd graduates in 1990; in April of this year the government warned graduating students that they could expect provincial and even rural assignments.

High school graduates and those less qualified face a tight employment market. While the government has revived the formal assignment process for university graduates in an effort to keep this intransigent group under control, it has virtually given up trying to find jobs for ordinary school-leavers. No longer guaranteed lifetime employment, these youths compete for jobs at local labor markets. When the Chaoyang district labor market opened in late 1990 in the Beijing Workers' Stadium, 6,000 job seekers turned up on its first day of operation.

Rural youth have joined the clamor for urban jobs. Although economic diversification has provided some jobs in village industries, the combination of a labor surplus, the attraction of city life, and the breakdown of official control over population movement has led to large-scale rural-urban migration. It is officially acknowledged that "millions of today's young people are pouring into big cities from rural areas."³ Because of lower educational levels, these job seekers are at a competitive disadvantage; their prospects are usually limited to service work and short-term unskilled jobs on construction sites. They congregate around railway stations and in places like the affluent Xisi neighborhood near Tiananmen Square, tempers flaring when employers make their choice.

Young women—who in some places comprise as many as 80 percent of rural immigrants to urban areas—have distinctive opportunities and problems, some of which recall Shanghai in the 1920s. Specifically recruited as "cheap and docile labor" (to quote one factory manager), teenage girls do mind-numbing processing and assembly work in foreign and joint-venture factories, particularly in the Special Economic Zones (SEZs). Like their formerly rural sisters in many developing countries, these girls from the countryside can fall victim in the city to the promise of a more profitable or glamorous life, which may include prostitution. The other major area of employment for female immigrants—housekeeping for better-off urban families—can expose young women to the familiar problem of sexual harassment.

For all the opportunities ostensibly offered by the diversified economy, youth unemployment is a major

³*Renmin ribao* [People's daily], (Beijing), March 4, 1991.

problem. After years of speaking euphemistically of "youth awaiting job assignment" (*daiye qingnian*), officials now admit that "China faces a serious unemployment problem," with some 11 million new job seekers annually coming into the urban labor market alone.⁴ The media encourages young people to enter the collective and private sectors and publishes success stories as examples of what they can do instead of waiting for the government to find them work. Official unemployment statistics—the government claims it is keeping urban unemployment below four percent—are largely meaningless since they do not include the huge numbers of ostensibly "employed" young people peddling everything from T-shirts to purple coat hangers. Over the next decade it is estimated that 210 million rural people will need employment, the result of mechanization and the baby boom of the 1960s and 1970s.

TOWARD A YOUTH CULTURE?

Formerly subjected to one of the world's highest levels of social control—through the urban *danwei* (unit) or the rural collective—the Chinese now have far more geographical, employment, and socioeconomic mobility than at any time since the early 1950s. Young people take the reduced controls for granted and, despite the events of mid-1989, are challenging them and stretching their limits.

While young Chinese have never lived solely for the official ideal of serving the people, the current generation is openly displaying a range of behaviors and values that run counter to both socialist and traditional norms for well-behaved youth. Many of these are characteristic of the "international youth culture" that has been evolving.

Freed from the Maoist cult of austerity, China's youth has taken to consumer culture with a vengeance. As in the West and in other developing countries, youth spending power has become a target for both local manufacturers and the multinational corporations that have established markets or joint ventures in the People's Republic. The transistor radio of the 1970s and the cassette recorder and television set of the 1980s have given way to VCRs, computer games, and stereo systems, not to mention brand names from Adidas to "Fun" faded denim. Indeed, of all the generation gaps in China, one of the widest is in clothing. Both sexes participate enthusiastically in the "appearance revolution" but it is young women who present the strongest contrast to their conservatively dressed elders.

In a society that traditionally held age in great respect, today's stress on youth in magazine and television advertising is particularly striking. Glamorous young female models drape themselves over motor-

bikes, sip expensive canned drinks, and tout the latest beauty products that guarantee to make the buyer attractive to the opposite sex.

Chinese youth is also fast developing its own leisure culture. While parents spend their evenings attending to household and work-related matters or watching revivals of Beijing Opera productions, the younger generation listens to pop music or watches videotapes of Hong Kong or Western films. (A reasonable array is available in Chinese stores but there is a huge market for smuggled videotapes.) Discos, bars, and the ubiquitous singalong bars are regular haunts for urban youth; in small towns and the more prosperous villages the occasional dance helps alleviate the boredom of rural youth. Because 60 percent of the national population has access to television, a large proportion of rural youth is becoming aware of urban and foreign lifestyles.

Young people's personal relationships, too, are now more like those of youth elsewhere in the world. Gone is the public facade of pure comradeship and sacrifice of the personal life for the communal good. Nowadays relations between the sexes are grist for youth magazines like Shanghai's *Youth Generation* and Guangzhou's *Golden Generation*: from officially criticized "puppy love" to romantic attachment, marriage, and sexual relations (not always in that order). Letters to these magazines' advice columns sound a familiar note, although their naïveté reveals a society in which such matters have only recently begun to be discussed openly.

While premarital sex is still officially frowned on and blamed on "the evil influences of the Open Door," even the media acknowledges that young people cannot always be expected to forgo sexual relations until marriage. Like similar discussions in the American media in the 1950s, the one occurring in China only confirms the everyday reality. By the mid-1980s more than half the women undergoing abortions in urban hospitals were unmarried, while reform centers were full of teenage girls (but not boys) who had committed so-called "sex offenses." In the early 1990s it is common knowledge that the officially criticized Western practice of young people living together before marriage has become widespread among the *gaoganzidi*. Reports from the countryside have revealed that in some villages as many as 50 percent of all young women marry below the official minimum age of 20 because they are pregnant.

Once kept in ignorance—at least officially—until they received a sex manual just before marriage, most Chinese now attend sex education classes in high school. According to the media, the classes are designed to provide an alternative source of information to the "distorted views" presented in Western films and television programs. But they also point to parents' failure to discuss such matters with their adolescent children.

⁴Ibid., February 17, 1991.

In a Beijing survey late last year more than 50 percent of parents questioned said they would give their children information about sex only if and when they were asked. Teens often prefer, however, to use the "teenage hotlines" that have been set up in some cities; in a little more than two years one telephone hotline in Beijing's Chaoyang district has received approximately 20,000 calls. Many of the questions reflect either the acceptance of official sexual mores or continuing sexual ignorance: "Will a kiss lead to pregnancy?"

DRUGS AND CRIME

The nineties generation also exhibits some characteristic youth problems, from smoking and drinking to drug use and crime. At a time when the government has finally begun to criticize smoking, young people are fast taking up the habit: some teenagers are reported unable to sit through the university entrance examinations without lighting up a cigarette. While smoking has historically been a male habit, it has now been seized on by teenage girls as fashionable, adult, and modern, along with makeup and miniskirts. As China's nightlife develops, teenage drinking and even brawling are also beginning to become problems.

The media have admitted that China, which officially eradicated drugs soon after the Communist revolution, now has a growing drug problem; even English-language publications for foreign consumption feature articles on it. The problem is primarily linked to drug traffic from the Golden Triangle through China's southwest provinces; the bulk of China's officially estimated 70,000 addicts live in this area.

Both experimentation and addiction are reported as far afield as Xian, Beijing, and Shanghai, and are associated chiefly with the growing affluence of youthful entrepreneurs. According to one report, approximately 80 percent of some 7,200 drug addicts located by the police in Xian are under 28 years of age, and the youngest are only 15. The report quotes one newly rich young man as saying, "If I do not take drugs, how can I spend my money? . . . eating, drinking, patronizing prostitutes, and gambling can't deplete my money."⁵

Drug-related crime and prostitution, familiar in the West, have exacerbated China's burgeoning crime problem, previously linked more to frustrated aspirations, unemployment, and declining social control. Reports of violent robberies, rapes, and even gang warfare are common in the media, at least when the perpetrators have been caught (and, in many cases, given the death sentence). The proportion of crimes committed by youths has increased approximately threefold since 1949; last year almost three-quarters of all convicted criminals were under the age of 25.

DISSENT DRIVEN UNDERGROUND

Declining social control has not been accompanied by renewed claims for political freedoms. The reimposition of strong political controls in the wake of the Beijing massacre has largely quashed the open youth dissent—if not the sentiments—that culminated in the events of May and June 1989.

University students are kept on a tight rein; half the country's university students spent their recent summer vacation in true Cultural Revolution style, "learning from the masses" in the countryside. Occasions when the expression of student dissent might be expected are co-opted by the authorities for official celebrations. For example, on May 4, 1991—the seventy-second anniversary of the proclaimed birth of Chinese democracy—several official "Youth Day" meetings were held on the campus of Beijing University. The infamous Monument to the People's Heroes in Tiananmen Square was "guarded" by wholesome-looking red-flag-waving members of the Communist Youth League. June 4, the second anniversary of the Beijing massacre, passed with no more than the sound of a few breaking bottles (the Chinese word for "little bottle" [*xiaoping*] is a homophone for paramount leader Deng Xiaoping's given name).

The public expression of dissent has not been entirely suppressed. Like youth in Western countries in the 1960s, some young people have turned to an alternative form of social protest: rock music, with anti-establishment lyrics. Number 1 in the rock hierarchy is teenage idol Cui Jian. T-shirts featuring his name and the rebellious symbol of his song "A Piece of Red Cloth"—a young man with a red kerchief tied around his eyes—are sold from street barrows in central Beijing. ("Red Cloth" was one of the songs Cui played to the hunger-strikers in Tiananmen Square.) Cui's latest album, *Jiejue* [Resolve], begins with the lines:

There are many problems before us;
There's no way to resolve them.
But the fact that we have never had the chance
Is an even greater problem.

As of June 1991, Cui was playing a cat-and-mouse game with the authorities. Although a large poster of Cui beamed in the music section of all major stores and his albums were readily available, he was reportedly not allowed to perform onstage. His regular haunts in Beijing were staked out by plainclothes police, who were painfully obvious among the crowds of long-haired young men and miniskirted young women.

But while Cui and other well-known rock musicians were being prevented from performing in public, the less famous continued to deliver their defiant lyrics from the stage. Short of banning all live performances,

⁵Nexus (Beijing), Spring 1991, p. 54.

the authorities have little control over this new form of Chinese social protest.

COPING WITH THE NINETIES GENERATION

Chinese parents, officials, and researchers normally have divergent interests, but all have something to say about "the youth issue." For parents the greatest problem is the ever-widening generation gap, or *daigou*. People in their forties and fifties welcome the past decade's economic advances and social liberalization, but they themselves are products of the Mao era and the Cultural Revolution. The sheer pace of change, and the way their sons and daughters are succumbing to every new fad and television commercial, is leaving them shaking their heads. "Young people have no values at all any more," complained a middle-aged engineer, a fellow passenger on the Tianjin-Beijing train. "Look at them," he said, glancing at three long-haired, Western-garbed young men (a "private entrepreneur," an actor, and a pop singer). "All they want is money and clothes and everything new that comes onto the market. And to go abroad, of course."

Chinese officialdom has seized on this question of values in its efforts to control the current youth generation. "Young people's healthy growth," claims General Secretary Jiang Zemin, "rests with the correct guidance of the party."⁶ Although party methods are partially a response to the challenge of Tiananmen, they also conform to a pattern that has been apparent since the early 1980s. The outdated rhetoric of the old guard is the most striking indicator of just how far the leadership is out of touch with the young generation and how unequipped it is to deal with the fairly predictable social outcome of its economic reforms and open door policy.

Socialism continues to be promulgated as the greatest good, with young people urged to emulate a steady stream of youth models new and old. One of the latest is Lai Ning, a teenager who died fighting a forest fire in China's northeast and whose deeds are said to reflect "the vigorous and diligent spirit of the Young Pioneers." But Lai Ning is hardly in the same league as Lei Feng, a familiar figure to almost three decades of Chinese youth. Yet again—as in 1963, 1973, and various years in between—this self-sacrificing young soldier has been resurrected. Since the national Lei Feng Conference held last year, the youth of China have been urged to "study Lei Feng's fine example in wholeheartedly serving the people" and to read excerpts from the detailed diary he supposedly kept before meeting an untimely death at the age of 22. Several media features in the first half of 1991 showed high school and univer-

sity students sacrificing themselves like Lei Feng, by spending their day off sweeping streets and cleaning public areas.

In addition to socialist values, the leadership has been drawing heavily on Chinese patriotism, just as it did in the 1987 "anti-bourgeois liberalization" movement, the 1983 "spiritual pollution" campaign, and in other political campaigns before 1949. Lei Feng was not just a model socialist but a true patriot, a young man who put his motherland before himself; the party presents itself as the guardian of Chinese patriotism. Senior party officials urge youth to "uphold China's patriotic tradition," a theme that was constantly repeated in this year's official commemorations of the May 4 Movement.

But with socialism and even patriotism exerting little appeal, the authorities have fallen back on a third value: Confucianism. For most of the party's history, traditional Confucian values have been roundly denounced as "feudal," coming under their most vigorous attack in the 1973-1974 *pi-Lin pi-Kong* (anti-Lin Biao, anti-Confucius) campaign, which linked Confucius and Lin, at one time Mao's chosen successor, to the evils of "the old society." Now young people are urged to adhere to "China's fine traditional values" by respecting their parents and doing good deeds for their elders. Newspapers and magazines feature a new crop of admirable youth reading to elderly people and helping them with household chores.

Predictably, Chinese officials claim success in restoring youth values, whether socialist, patriotic, or Confucian. But continuing concern over the youth generation is obvious even from official statements. The young are a major focus of the government's frequent warnings to the people that social stability must be maintained.

A restlessness and edginess are evident just below the surface of everyday life in today's China. The present leadership's fear that this might boil over into demands for change or simple strife accounts for much of the official tolerance of aspects of youth culture that might otherwise have been suppressed: pop music, the bar scene, the risqué posters, scantily clad calendar girls, and loosening sexual mores. All provide social distractions and create the incongruous juxtaposition that is present-day China: Western-style consumerism and youth lifestyles existing alongside the Lei Feng types and "serve the people" rhetoric.

What will the 1990s bring for China's youth generation? Parents, party officials, and researchers agree that youth is already the most problematic and may prove to be the most volatile age group in the country. Continuing economic development and openness to the outside world will create ever-rising economic, social, and political aspirations among China's youth. These will undoubtedly present the successors to the present geriatric leadership with one of their most potent challenges. ■

⁶*Zhongguo qingnian bao* [China youth daily], (Beijing), May 6, 1991.

The furor over a proposed airport and harbor project for Hong Kong found China and Britain at odds yet again over the territory's future. According to the author, the two countries settled the dispute because of "overlap between British and Chinese interests" in Hong Kong.

China and British Hong Kong

BY WILLIAM H. OVERHOLT

Hong Kong's contemporary history revolves around the interplay of China and Britain's shared interest in the prosperity and stability of Hong Kong and British-Chinese struggles over the purpose and management of the territory. World press reports have generally portrayed the British viewpoint almost exclusively, when in fact neither side has had a monopoly on justice or goodwill.

The shared interests are very powerful. Hong Kong is the crown jewel of British colonial management: under British rule it has attained global financial importance.¹ For China, Hong Kong is the source of about one-third of its foreign exchange earnings, two-thirds of all foreign investment, most of its high-technology products, and a large proportion of its tourists. Hong Kong is also China's principal window to the outside world and is becoming its capital for international finance.

Shared interests have allowed even serious crises to be satisfactorily resolved, though not without fear among Hong Kong-Chinese and vertigo on the part of investors in Hong Kong's stock market. Hong Kong survived the West's isolation of China after the 1949 Communist Revolution. It survived the Cultural Revolution, the violent explosion of xenophobia that, at its height in 1967, saw Red Guards approach the border

of Hong Kong, leading Prime Minister Zhou Enlai to call the local Chinese commander and tell him to defend Hong Kong.

The recent tension between China and Britain over the future of Hong Kong has its roots in the treaties by which Hong Kong was ceded and leased. Britain considered the treaties "normal" and binding. In China's view they were "unequal," unfairly imposed by imperialists for immoral purposes—most notably, to force China to import opium from British traders. Under the Communists, China has not recognized the validity of the treaties.

In such circumstances, the most likely result would be severe, perhaps armed, conflict; China and Britain's shared interest in Hong Kong, however, overcame the difference in their views. When Britain sought to renegotiate its lease on the New Territories, due to expire in July 1997, China countered that it wanted to regain sovereignty over all of Hong Kong. In 1984, after negotiations, the countries issued a Joint Declaration that called for the termination of British rule with the expiration of the lease.

PLANS FOR DEMOCRACY

The euphoria that followed the Joint Declaration was succeeded by a second period of tension. Under the terms of the agreement, Britain would rule until 1997 and the territory's capitalist economy and its social system would be preserved until the year 2047. Britain believed that this meant it could do whatever it liked before 1997, including installing full-blown Western democracy, and that China would be stuck with the results until 2047. However, another section of the Joint Declaration stated that before 1997 China would write a constitution (the Basic Law) for Hong Kong's post-1997 governance. China interpreted this to mean that it would write the rules for Hong Kong before 1997, and that the Basic Law would determine how the existing economic and social systems were to be maintained until 2047.

Britain proceeded to plan for direct legislative elec-

WILLIAM H. OVERHOLT is regional strategist for Bankers Trust, based in Hong Kong. He is the author of *Political Risk* (London: Euromoney, 1981), and, with William Ascher, *Strategic Planning and Forecasting* (New York: John Wiley, 1983).

¹Britain acquired Hong Kong from China in three phases, beginning in 1842 when Hong Kong island became the principal territorial prize of the Opium War. While Hong Kong and Kowloon (acquired in 1860) were ceded to the British in perpetuity, the New Territories, which constitute the bulk of Hong Kong, were leased from China in 1898, the lease to run until 1997. Contemporary Hong Kong, which has a population of 6 million people, is not viable without the New Territories. It also requires the support of China, which provides not only most of the colony's food but also most of its water.

tions and for Hong Kong's transformation into a democracy. Various local groups prepared to form Western-style political parties. In October and November 1985, China announced that such changes were inconsistent with the Joint Declaration, and warned of chaos if the British made radical alterations in the way Hong Kong was governed.

The British press quickly declared that China was not honoring the terms of the agreement. But in fact each side could in good faith assert that its views were consistent with the Joint Declaration. The British believed they had governed Hong Kong in a democratic spirit, and that therefore a change to democracy was within the bounds of the Joint Declaration.

China in the end prevented the installation of democracy in Hong Kong, mainly because it was afraid of populist pressure on the territory's relationship with China. But in doing so it did not renege on its commitment to maintain the existing system in Hong Kong. If anything, it was the British effort to turn Hong Kong from a consultative colony into a democratic polity that contravened the Joint Declaration.

Ultimately, the British government's proposals for direct elections to the Legislative Council were confined to 18 of the 60 seats in the council. Plans for formal political parties were abandoned, and the stock market and real estate prices rose once again.

OUTPOST OF FREEDOM OR EXPORT-PROCESSING ZONE?

The conflicting interpretations of the Joint Declaration by China and Britain point up the two countries' deeply different perspectives on Hong Kong. Britain sees the purpose of maintaining the existing system primarily in political terms—namely, preservation of the freedoms and autonomy of Hong Kong's people. For China the purpose is primarily economic—ensuring that the foreign exchange, foreign investment, growth, and technological benefits of contemporary Hong Kong remain to aid China in future development.

For China, Hong Kong is a complex export-processing zone. South Korea and Taiwan originated the modern version of the export-processing zone, which is typically a small territory in which certain laws and regulations are suspended to facilitate economic activity. Typically these zones lift the normal restrictions on importing and exporting goods, and they may also allow for the easier inflow of capital, or suspend restrictive labor practices.

China itself was an early beneficiary of the concept of the export-processing zone. China has long felt endangered by the activities of Westerners, and yet has needed to deal with the West on a fairly large scale. An early adaptation to these contradictory requirements was the Imperial Maritime Customs Service, through which China delegated management of customs func-

tions to the British. Later the treaty ports were imposed on China but they also served an important Chinese purpose, evolving as airlocks through which China could deal effectively with the West and contain the deleterious foreign influences in a narrow geographic space.

Hong Kong, which began as a British-managed port for the Chinese, is the most successful modern export-processing zone. Not only have the rules on the import and export of goods been relaxed in order to encourage manufacturing, but so have rules on a broad range of modern service functions. This has made Hong Kong a global financial center; a regional headquarters for manufacturing firms and for other services such as accounting; a trade window for China, especially in technology purchases; the international financial capital for China; and the management consulting center for southern China.

To fulfill these functions, Hong Kong must have a wide range of rules that are different from those of the People's Republic. The free flow of people, capital and information (including political information that affects financial markets) must be ensured; the territory must possess a convertible currency and an independent Western-style legal system. Simply stated, Hong Kong can maintain its economic momentum only if it retains sufficient freedom and the situation there is sufficiently predictable to keep the top firms and people from leaving and to attract new ones of the same caliber.

These issues were addressed in the Basic Law, the constitutional document that will serve as the basis for Hong Kong's future after 1997. In it China adhered to the terms of the Joint Declaration, and even went so far as to write in detailed capitalist policies, such as a low-tax rule. But the Basic Law, which was promulgated in 1990, included elements that raised concern among the British and Hong Kong's British-oriented population.

Direct elections were severely circumscribed under the Basic Law. Beijing could name the territory's governor if it asserted its full power, and it acquired considerable leverage over top judicial appointments. Foreign policy and national security issues came entirely under the jurisdiction of the People's Republic. A key clause forbade Hong Kong's people from "subverting" China. All this, though consistent with the letter of the Joint Declaration, raised fears of future abuse among the people of Hong Kong. At the same time China reiterated its commitment to the full range of freedoms necessary to maintain Hong Kong's capitalism, and conservative Chinese President Yang Shangkun prefaced the Basic Law with a promise that socialism would not be practiced in Hong Kong.

FLIGHT FROM UNCERTAINTY

Uncertainty over how China will ultimately interpret the Joint Declaration has led to a corporate, capital,

and brain drain in Hong Kong. Most major corporations have relocated their legal domicile to places where the jurisdiction of Western-style legal systems is assured—Jardines to Bermuda, the Hongkong and Shanghai Bank to London, and so on. They have done so in case China uses its influence over Hong Kong's legal system to undermine it. The implications of these corporate "moves" are mainly legal, since changing the legal domicile does not alter the location or nature of the business.

Potentially more significant is the transfer of vast amounts of capital out of Hong Kong—how vast it is difficult to determine. The significance of these movements must be kept in perspective, however.

First, Hong Kong capital has always been footloose; individuals and corporations have always kept enough capital offshore to survive in the event of catastrophic changes in China. Second, this is an era of Asian investment overseas. When Hong Kong firms buy overseas companies (SemiTech buys Singer, New World buys Ramada Inns, Hong Kong watch companies buy up their Swiss counterparts), the Western press labels this capital flight. When a Japanese or Taiwanese company does the same thing, the press sees this as an economic victory for Japan or Taiwan. Many Hong Kong companies have purchased offshore assets to diversify their risks and relied on bank loans rather than equity for the acquisition of Hong Kong assets. Before becoming overly alarmed about capital flight from Hong Kong, one must first determine whether current "hedgies" are proportionally larger than in the past. Studies by the Hongkong and Shanghai Bank have concluded that they are proportionally smaller than in previous crises.

More critical is the brain drain. Fear of what China might do after 1997 has led most members of Hong Kong's middle and upper classes to seek foreign citizenship, usually from Australia or Canada because English is spoken in those countries and they are easier to immigrate to than Britain or the United States. Emigration from Hong Kong had risen to about 45,000 people a year before the suppression of the democracy movement in Tiananmen Square on June 4, 1989; more than 60,000 people have left each year since then. This level of emigration disrupts businesses, but it falls far short of a catastrophe. Indeed, outflows of Singapore's highly trained workers have often been at similar levels, after taking into account the difference in population and in the percentage of those with advanced education (Hong Kong has almost three times as many people as Singapore, and a much higher proportion of the population holds graduate degrees).

The outflow of emigrants has been balanced in part by inflows of executives from the United States, Japan, Europe, Southeast Asia, and China itself, and by a significant number of returning Hong Kong businesspeople who have already acquired their Canadian or

Australian passports. The brain drain has been Hong Kong's most serious problem, but so far it has proved manageable.

THE EFFECT OF TIANANMEN

Skepticism about China's intentions toward Hong Kong intensified after the Tiananmen massacre. The brutal smashing of the democracy movement by Chinese troops led many to doubt China's promises to maintain a capitalist Hong Kong. However, China has always brutalized its dissidents and it has always protected Hong Kong; the two aspects of Chinese policy are not inconsistent. Moreover, China's attitude toward Hong Kong during the crisis was remarkably tolerant.

The most fundamental rule of the "one country, two systems" approach taken in the Basic Law must be that neither China nor Hong Kong is allowed to subvert the other. But during the crisis in Beijing, Hong Kong people funded the democracy movement, backed it with propaganda, smuggled its leaders into and out of China, channeled news of the massacre into southern China, and mounted demonstrations in support of the dissidents that drew as many as 1 million people. The Chinese government responded by complaining and by writing a nonsubversion rule into the Basic Law. Thus while Hong Kong ignored the implicit rules of "one country, two systems," Beijing honored them; Western sympathy for the democracy movement and for the Hong Kong people supporting it kept Westerners from appreciating the fact that, however understandable its motivations, the Hong Kong people's behavior was potentially suicidal.

The Hong Kong government chose neither to debate the nonsubversion rule publicly nor to form a public consensus on the range of permissible behavior nor to write explicit laws against future subversion. Instead, it quietly imposed restrictions that accomplished what the Chinese wanted; for example, it prosecuted a group calling for democracy, resurrecting a law forbidding the use of bullhorns without government permission.

The English-language press routinely denounced each government effort to implement nonsubversion rules as a concession to China by crass leaders who cared more about good British-Chinese commercial relations than the rights of the Hong Kong people. These were utterly inaccurate descriptions of British motives, but the government's unwillingness to deal with the problem publicly ensured that any of its actions on the matter would be viewed as shameful. It also left a dangerous ambiguity in Hong Kong's relations with China.

THE AIRPORT CONTROVERSY

Another area of contention is the economic management of Hong Kong. Until recently, the British government believed that confidence in Hong Kong could be

restored by demonstrating that the major decisions on Hong Kong's economy could be made without involving China or taking China's interests into account.

The British government decided to create the largest confidence builder imaginable, a dramatic example of its decisiveness and autonomy: an all-encompassing Port and Airport Development Scheme (PADS) that would be the most extensive and expensive (more than \$16 billion) civil-engineering project in the world. The airport and port projects were a response to a real need; the British government had determined in the early 1980s that Hong Kong needed a new airport but then had backed off because of the economic slowdown and its own preoccupation with British-Chinese politics through the mid-1980s. It redirected its attention to the project at the end of the decade.

The project became mired in problems almost immediately. Most of the Hong Kong business community doubted the wisdom of putting the port and airport projects together since it made the overall effort look so expensive. The first real crisis occurred when international banks balked at supporting the project. The Hong Kong government had planned to finance PADS primarily through bank loans. The banks responded that, since the repayments would all fall after 1997, when China would be the territory's owner, they would not fund the project without both a strong Chinese endorsement of it and a Chinese financial contribution of more than 20 percent of the project's total cost. The British conception of totally autonomous decision making thus initially ran afoul not of Chinese interference but of the most basic rules of prudent banking.

Meanwhile, the Chinese authorities said that the PADS project would shape southern China's transportation system into the next century, so some coordination with the Chinese infrastructure seemed appropriate. Moreover, the financing of the project would also shape China's future financial position in the eyes of the banks, and they believed that China should have a voice in the matter. All this occurred while post-Tiananmen Western sanctions against China were in effect, and in the midst of emergency Chinese efforts to increase reserves and decrease borrowing.

The Joint Declaration specified that any decision with consequences beyond 1997 (the new airport was scheduled to open in 1997) would require mutual consultation. Britain chose to ignore both this treaty obligation and China's concerns about the airport plans. The Hong Kong government informed Beijing about the airport decisions through a letter written in English that was sent to Beijing only two days before the Hong Kong governor, David Wilson, publicly announced the decision. When Beijing requested additional information, the Hong Kong government did not respond for 90 days and then sent a huge technical report in English.

China complained to the British that this response

was inadequate. Britain finally agreed that China could send a consultation team to Hong Kong. At the same time, the problem with the banks came to a head. In October 1990, just before the Chinese consultation team was to arrive, the Hong Kong government announced that it would finance much of the project itself. Wilson and his principal aide made strong public statements that they were under no obligation to consult with China on the huge financing decision, and would not do so.

Both before and after this decision, the British argued that they had adequately consulted with the Chinese about the project. But the British concept of consultation was to inform the Chinese selectively of the reasons Britain had made its decisions. The Chinese concept of consultation was that when vital Chinese interests were involved, Chinese officials would participate in the decision making.

Active Chinese participation in the decision-making, however, was contrary to the strong British interpretation of autonomy (an interpretation difficult to square with financial reality and with the language of the Joint Declaration). Moreover, keeping the Chinese out of the process would avoid the great nemesis of Hong Kong decision makers—close involvement by the ponderous and corrupt Chinese bureaucracy in major Hong Kong decisions that could see the Chinese still arguing among themselves about the airport well into the next century.

While the British point out that the word "consult" has a wide range of meanings, there is no meaning of it consistent with a policy that completely refuses either to take the other party's interests into account or to engage in an exchange of views during the decision-making process. To inform abruptly is not to consult.

The sometimes high-handed British approach gave China the strongest possible reason for believing that national pride as well as vital interests required involvement in PADS. The result was a diplomatic impasse and a decline in public and investor confidence in Hong Kong—this from a project specifically designed to boost confidence.

The impasse between China and Britain was exacerbated by mutual suspicion of each other's motives. China believed that Britain was unwilling to treat Hong Kong as an autonomous part of China and to help work Hong Kong into China's overall development program. Britain interpreted Chinese efforts to coordinate development programs as attempted subversion of the territory's autonomy, and was desperately afraid of the immobilization of Hong Kong by a corrupt Chinese bureaucracy that does not understand the requirements of Hong Kong's capitalist system and in particular does not know how to manage investments or build airports. China was right about British intentions, and Britain was right about the Chinese bureaucracy.

By mid-summer 1991, China had made it clear to

Britain that it would not allow huge expenditures for the airport without consultation. Britain was also told by international bankers that an airport could not be financed without Chinese support. In July, after secret negotiations, Britain accepted China's right to be consulted, accepted limits on the borrowing that could be done without Chinese permission, and accepted a Bank of China representative as part of the group that would oversee decisions on the airport. China endorsed the need for an airport and, by installing a Bank of China representative, gave political legitimacy and financial authority to the airport decision-making process.

The Hong Kong-British government's attempts to avoid the consultation requirements of the Joint Declaration certainly resulted in greater Chinese veto power than would have emerged if consultation had been adequate. American newspapers denounced the deal as a crass British sell-out of Hong Kong. But Hong Kong capitalists understood the more important implication: just as the 1986 confrontation had established a viable Beijing-Hong Kong political relationship, so the 1991 confrontation established a potentially viable Beijing-Hong Kong economic relationship. The formula for success in both cases was British acquiescence that China's legitimate interests had to be taken into account, followed by Beijing's reassurance that it would use its influence in a restrained manner. Less than a month after the accord was reached, prices on the Hong Kong stock exchange broke their all-time record and real estate prices jumped as much as 10 percent.

EXPANDING HONG KONG

A final disparity of views concerns Hong Kong's geography and role in China's future development. China, with its economic perspective on Hong Kong, envisions Hong Kong enlarging its territory and increasing its economic scope; Chinese reformists welcome this and Chinese conservatives fear it, but both see Hong Kong as strengthened economically by it. Britain, with its political and colonial perspective, sees Hong Kong as threatened by it.

Hong Kong has already naturally expanded its role in the Chinese economy. Hong Kong investment, which currently accounts for two-thirds of total foreign investment in China, has been the main source of growth for Chinese trade. Hong Kong firms dominate China's Special Economic Zones (SEZs), which the Chinese have effectively (though not intentionally) turned over to them to manage; a similar role is emerging for Taiwan. The Hong Kong dollar is the currency of choice in much of Guangdong, a province the size of France; Hainan is considering allowing a formal role for the Hong Kong dollar. Shenzhen's stock exchange is modeled on Hong Kong's and looks to Hong Kong for support. Guangdong hopes to marry its superiority in basic science to Hong Kong's superior strength in marketing and finance in order to create an export-oriented manufacturing powerhouse that neither could build alone.

As Hong Kong's functional role expands, Chinese officials are planning to extend its geographical area. In the early 1990s visa requirements will be abolished for Hong Kong people wanting to visit the Shenzhen SEZ north of Hong Kong. In the subsequent decade Guangdong's leaders hope that Shenzhen's economic progress and institutional development will make it sufficiently similar to Hong Kong to allow the abolition of travel restrictions in the other direction. Tight controls on travel from the rest of China into Shenzhen would be retained to keep the zone from being swamped by impoverished immigrants from elsewhere in China. The plan would effectively move the border back, making the territory of Hong Kong several times larger.

British officials denounce such changes as insidious plots to subvert Hong Kong's autonomy, and British institutions have reacted completely defensively, thereby missing opportunities. For example, the legal profession has adopted a desperate xenophobic protectionism designed to keep all foreign lawyers, especially Chinese but also American, from advising on Hong Kong law; there has been no thought of assisting in the training of lawyers in the People's Republic in order to ensure that China can work with an autonomous Hong Kong.

A CASE FOR OPTIMISM

The overlap between British and Chinese interests remains large and leaves room for optimism. The satisfactory resolution of the 1985 conflict over Hong Kong's political structure and of the 1991 conflict over economic relationships provides the foundation for successful implementation of the concept of "one country, two systems." The key in both cases was Britain's willingness to back away from one-sided positions and China's restraint in exercising its new influence over Hong Kong's future.

These successes were achieved in the poisonous post-Tiananmen Square period by an angry, fearful, and xenophobic Chinese government dealing with a British Hong Kong government that was extraordinarily self-righteous while ignoring provisions of treaties it had recently signed. That agreement was reached under such inauspicious circumstances augurs well.

The two sides will have to continue to work on a compromise understanding of autonomy. As it did in the airport dispute, Britain must acknowledge China's legitimate interests and make plans for Hong Kong's future as a part of China. Major future economic decisions must take Chinese interests into account. Conversely, China's assertion of its interests must be confined to broad policy and stop short of involvement that would destroy Hong Kong's initiative and paralyze the capitalist process. Britain must abandon its unrealistically extreme interpretation of autonomy, and China must reassure Hong Kong that autonomy includes sufficient restraints on the Chinese bureaucracy to permit continued economic dynamism. Both sides will have to demonstrate that they have learned the lessons of 1986 and 1991. ■

"China must have a national strategy with the highest political support for the development of science and technology. At issue is what is required for it to be effective, and whether political support can be sustained if effectiveness clashes with powerful political interests."

Science and Technology Policy: Developing a Competitive Edge

BY RICHARD P. SUTTMEIER

As China enters the 1990s, it has become increasingly clear to the country's leadership that national wealth and power depend on the vigorous development of science and technology. Neighboring Japan has become a powerhouse of technological innovation and scientific achievement, while other neighbors, such as South Korea and Taiwan, have positioned themselves for high-technology, high value-added industrial production. Those responsible for the scientific and technological foundations of China's national security were particularly struck by the technological wizardry shown by the United States in the Persian Gulf war. The war demonstrated anew the close link between military prowess and the effectiveness of research and development (R&D).

Much of the impetus for the post-Mao policies of economic reform and openness to the international environment can be traced to China's new international contacts in the early 1970s. As Chinese scientists, engineers, and political leaders began to experience the West first hand, they confronted with amazement the rapid pace of change in international science and technology—and China's relative backwardness in the face of it. New directions in Chinese policies were called for, and a new formula for the political standing of technical personnel was required.

The lesson from the international environment in the 1990s is thus a more urgent version of the theme from the early 1970s: China must have a national strategy

with the highest political support for the development of science and technology. At issue is what is required for it to be effective, and whether political support can be sustained if effectiveness clashes with powerful political interests.

A NATIONAL SYSTEM FOR INNOVATION?

China brings to the challenges of science and technology development in the 1990s an extensive R&D system that quantitatively dwarfs those of all but a few countries. More than 10,000 research institutes are operated by central ministries, local governments, science academies, universities, and enterprises. These facilities (and the personnel to run them) are widely distributed around the major regions of the country.¹

As shown in the table on page 276, China has one of the world's largest pools of R&D manpower. While the ratio of its R&D expenditures to gross national product is more than respectable for developing countries, it is still below the levels attained by the Organization for European Cooperation and Development (OECD) countries; its expenditures per researcher are even lower.

The quality of China's research and development system is more difficult to assess. Quality seems to vary by field, and even within fields there is often considerable variation. A recent assessment of seven important areas of technology conducted by the Science Applications International Corporation of McLean, Virginia, concluded that China was doing world-class work in two areas (solid state lasers/nonlinear optics and shaped charges). Very good but uneven work was being done in three others (nonsilicon electronic materials, sensors, optical data processing), good work in another (high-powered microwaves), and rather uninspired, derivative work in the seventh (recombinant DNA and cell fusion technologies). Future prospects were considered to be promising in most cases.

Missing in China's science and technology development efforts, however, have been complementary

RICHARD P. SUTTMEIER is professor of political science and director of the Center for Asian and Pacific Studies at the University of Oregon. His current research focuses on the development of science and technology capabilities in East and Southeast Asia.

¹See Richard P. Suttmeier, "China's High Technology: Programs, Problems, and Prospects," in US Congress, Joint Economic Committee, *China's Economic Dilemmas in the 1990s: The Problems of Reforms, Modernization, and Interdependence*, vol. 2 (Washington, D.C.: US Government Printing Office, 1991), pp. 546-564.

assets: managerial talent, incentives to incur the risks of innovation, workable financial instruments, a predictable legal environment, an effective educational system, and coherent policies.²

The reforms initiated in the 1980s in science and technology were intended to improve the performance of the research system and provide for closer relations between research and production. These reforms have had many consequences for Chinese science and technology in such areas as the administration of research institutes, the financing of research, the research role of institutions of higher education, and the development of new attitudes toward intellectual property.

The 1980s also saw the initiation of other science and technology policies, including the establishment of graduate programs in the sciences, the development of new national laboratories, and the promotion of high-technology research and industrialization. China also established links with international science and technology through programs for Chinese students to study abroad, government-to-government science and technology cooperation agreements, and an aggressive strategy of acquiring foreign technology.³

Of perhaps greater long-term importance than the policies were the unintended consequences of the reform environment. The reforms unleashed a surge of technological entrepreneurship that led to the establishment of many new firms, opening up new career opportunities for scientists and engineers outside the state sector. The vigor of these entrepreneurial activities created an ongoing demand for institutional experimentation and innovation. By the late 1980s, science and technology policies were attempting to advance reform and trying to keep in step with the unplanned consequences and new opportunities of liberalization.

Long before the political changes of 1989, the problems and internal contradictions in China's post-Mao science and technology development strategy were evident. The enormity of the tasks guaranteed that implementing the strategy would not be problem free. Despite the suppression of the democracy movement in June 1989, many of the policies of the 1980s continue, but others have been altered or terminated, and the change in atmosphere has affected the ease with which institutional experiments can be tried. These institu-

²On the concept of complementary assets, see David J. Teece, "Capturing Value from Technological Innovation: Integration, Strategic Partnering, and Licensing Decisions," in Bruce R. Guile and Harvey Brooks, eds., *Technology and Global Industry* (Washington, D.C.: National Academy Press, 1987), pp. 65-95.

³For a recent assessment of the policies of the 1980s, see Erik Baark, "Fragmented Innovation: China's Science and Technology Reforms in Retrospect," in *China's Economic Dilemmas*, pp. 531-545. China's technology imports are analyzed in detail by Denis Fred Simon in "China's Acquisition and Assimilation of Foreign Technology," *ibid.*, pp. 565-598.

A Comparison of Scientists and Engineers in R&D and Expenditures for R&D

	Scientists & Engineers in R&D	R&D Expenditures as a % of GNP
South Korea	47,213	1.9
Taiwan	23,541**	1.16**
Singapore	5,876	.9
Indonesia	32,038	.12**
China	450,000 (397,200)	1.5
Japan	418,300**	2.9**
United States	806,200**	2.7
India	85,309*	.9*
West Germany	151,500**	2.8**
France	108,200**	2.3**
United Kingdom	98,700*	2.4*

Data are for 1988 unless otherwise indicated. *1986 data **1987 data Sources: For Japan, United States, India, West Germany, France, and United Kingdom: United States National Science Foundation (Washington, D.C.); for South Korea, Taiwan, Singapore, Indonesia, and China (low figure): Eiji Oshima, "Pacific Science and Technology Profiles" (Report delivered to the Pacific Economic Cooperation Conference Science and Technology Symposium, Seoul, November 7, 1990); for China (high figure): author's estimate based on various sources.

tional issues will continue to be paramount and are inextricably linked—as both cause and effect—to the question of whether the many policy initiatives of the 1980s will begin to converge into a single coherent strategy.

TECHNOLOGY POLICY AND STRATEGIES OF INNOVATION

The past decade has witnessed a variety of efforts to upgrade China's technological level that, taken together, constitute something of a technology policy. These efforts include the major commitments made to raise the technological level of traditional industries, the "Spark" program to spread technology to rural areas, and the National High-Technology Program. Many observers question whether there is any coherence to these efforts. The principle behind China's willingness to spend large amounts of foreign exchange to import technology is not clear, the relationship between technology imports and domestic R&D has been confusing and controversial, and measures to address the problems of commercializing new discoveries and inventions have been uncertain and halting.

The challenges of technology policy can be considered by looking at it within the context of a "technolog-

ical trajectory."⁴ When products embodying new technologies first enter the market, they are in an "emergence phase." The prices of these new products are high, but they will be competitive because they offer levels of performance unavailable from products employing older technologies. The innovator is able to profit by being the "first to market" with the new technology.

The emergence phase is followed by a "consolidation" phase, during which reliability improves, enhancements and incremental improvements are made, production is standardized, the market expands, and the price per unit falls. The successful producer in this phase increases the value of his commodity through marketing skill and through incremental innovations that reduce the cost of production and guarantee quality.

The trajectory continues into a "mature" phase in which further market expansion will be limited. The successful producer in this phase is one who builds on a reputation for quality and enhances that reputation with ongoing incremental improvements, or who reduces the cost of production by using lower cost labor or by instituting automation.

TECHNOLOGY POLICIES

Technology policies vary by country. In the OECD countries, for example, three broad patterns have been identified.⁵ A "mission-oriented" approach is characteristic of the United States, the United Kingdom, and France. This approach stresses the achievement of radical technological innovations, usually in support of clear national goals. A second approach, characteristic of countries such as Germany, Switzerland, and Sweden, is "diffusion oriented." This type of technology policy promotes the diffusion of technologies throughout the industrial structure by supporting vocational training, industrial standards, and cooperative R&D. Japan represents a third model that combines features of the first two models. It emulates the mission-oriented model by targeting certain sectors, yet it also takes seriously the tasks of human resource development and internal technology transfer.

It is difficult to discern a clear strategy in China that links technology policy to technological trajectories. China's pre-reform innovation system seems to fit the mission-oriented model most closely. Following this model, China clearly has had some success but at considerable cost, as seen in its nuclear and space pro-

grams. In the post-Mao period, China has tried to gain commercial benefits from its space, nuclear, and other mission-oriented technologies. However, without the large, sophisticated, technology-intensive firms like those found in the United States, this effort has had to rely on public sector entrepreneurship, a pattern somewhat reminiscent of the French public sector vendors of nuclear, space, and military products and technologies.

While a mission-oriented model will continue to have considerable appeal in China—and, in the short run at least, is likely to enjoy powerful political patronage—its viability as the dominant technology policy is questionable. First, in spite of some notable achievements, China's R&D establishment has yet to demonstrate the consistent ability to radically innovate. As the research establishment becomes more effective, and as the linkages among research, development, demonstration, and production become tighter, this constraint may become less inhibiting. Without outside assistance, however, China is likely to have difficulty keeping up with foreign competitors in the race for technological innovation.

More important, the recent experience of the mission-oriented countries has shown that competitive advantage in the early phases of a new technological trajectory is unlikely to generate as much wealth as an ability to capture value throughout the life of the technology. This difference becomes an especially important consideration as the costs of new product development increase; costs cannot be recovered solely through being the first to market.

Unfortunately, China is less prepared to implement a diffusion-oriented strategy than a mission-oriented one. The perverse incentives of Chinese socialism have over the years worked against cooperative research, internal technology transfer, and clear national industrial standards. China's serious neglect of education and human resource development, in spite of rhetorical support for vocational training, also works against a successful diffusion approach. Successful diffusion-oriented strategy places a premium on management, on quality assurance in manufacturing, and on the creation of a workplace environment that supports incremental innovations in mature technologies. These areas are all in need of major improvements in China.

In addition, unlike the centralized decision making and industrial concentration characteristic of the mission-oriented models, the diffusion-oriented pattern is characterized by decentralization and the widespread dissemination of knowledge and skills. China's attempts to diffuse technology through central planning have not been successful. Functioning markets may be a necessary condition for the diffusion-oriented approach to work; arguably China was better able to diffuse technology after the 1980s economic reforms than in the pre-reform period. Yet unless the necessary

⁴The concept has been defined as "a path of technological development, drawing on a given set of basic scientific principles and propelled by an internal dynamic of improving performance with regard to a few key design criteria." See Henry Ergas, "Does Technology Policy Matter?" in Guile and Brooks, *op. cit.*, p. 225.

⁵*Ibid.*, pp. 191-245.

public goods—education and training, standards, and so on—are provided, the existence of markets is not sufficient to ensure the model's success.

HIGH-TECHNOLOGY INDUSTRIALIZATION

China's high-tech strategy is embodied in the National High-Technology Program. The program, which is known as "863" because it was initiated in March 1986, targets seven critical technologies for specialized research attention.⁶ Unlike a mission-oriented approach, "863" is not based on first-to-market assumptions. It is rather a kind of "dues-paying" program that allows China to anticipate short-term technological trajectories and to participate in them at an early phase. At the same time the program seeks to enhance traditional industries with high technology and persuade Chinese students abroad to return to China by offering exciting, well-managed research. The "863" program is premised on the belief that China's large R&D manpower pool and experience with sophisticated military technologies give China advantages in high-technology development that are not enjoyed by other developing countries or by the newly industrializing countries in Asia.

China's science and technology policymakers have realized that a high-technology R&D program like "863" will not by itself guarantee high-technology industrialization. Accordingly, they have also initiated the "Torch" program, a strategy of incubation for high-tech firms that combines the establishment of special high-technology industrial zones and science parks. Torch is trying to capitalize on the technological entrepreneurship that emerged during the 1980s, but it remains to be seen whether it can do so in the changed political atmosphere since 1989.

The technological entrepreneurs of the 1980s were individuals who had broken away from the research institutes to start new firms, and the institutes themselves, which started commercial enterprises. The entrepreneurial energy demonstrated by these start-up activities showed to the leadership that the diffusion of technology from the laboratory to the economy might be achieved more effectively by decentralized marketization than by central planning.

⁶The seven include biotechnology, materials, information, robotics, space, lasers, and energy.

⁷For an important discussion of this topic, see Nathan Rosenberg and L. E. Birdzell, *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York: Basic Books, 1986).

⁸Compare Leo A. Orleans, "Perspectives on China's Brain Drain," in *China's Economic Dilemmas*, pp. 629–643.

⁹For a useful analysis of China's international science and technology relations in the aftermath of Tiananmen, see Mary Brown Bullock, "The Effects of Tiananmen on China's International Scientific and Educational Cooperation," in *ibid.*, pp. 611–628.

The new entrepreneurship raised several fundamental issues for China, such as the problems of taking risks and handling property rights. Technological innovation is, economically, an inherently risky act; resources devoted to innovation are resources diverted from areas that promise more certain returns. In socialist economies, technological innovation has been slow because of an inability to provide incentives for taking risks, while in capitalist economies the key to innovativeness has been taking creative approaches to economic risk management.⁷

As China's new technological entrepreneurs began to push the limits of acceptable economic behavior, the question of who should benefit from successful risk taking and who should pay for the failures became unavoidable. Principles for distributing risk were complicated by the uncertainties over property ownership. If new products were developed by start-up firms using ideas developed in state-owned research institutes, who had the right to the profits from sales of the products? If new companies failed, how would their assets be distributed? Before Tiananmen, these questions were discussed openly. Since then, attempts to devise answers to the questions have been circumscribed by political concerns.

THE PROMISE OF INTERNATIONAL RELATIONS

China has been able to save considerable time and money in its science and technology development by tapping into the technology, advanced educational opportunities, and policy and institutional models available abroad. In little more than a decade, Chinese students have become a large presence in the science and engineering departments of Western universities; China has become a major importer of foreign technology and has begun to export technology as well; it has entered into extensive government-to-government science and technology agreements with all the technologically advanced countries; and it has become a member of many international organizations and regimes that deal with science and technology issues.

Not all of these contacts have been problem free. Some have been economically and politically disruptive, and it is by no means clear that China has always used them wisely. The importation of technology, for instance, has often been duplicated, and China has suffered a serious short-term brain drain because of its inability to persuade the students sent abroad for advanced study to return to the country.⁸ Nevertheless, the benefits to China have been substantial.

The patterns of China's science and technology relations in the 1990s are likely to change, especially with regard to China's Asian neighbors.⁹ As the countries in East and Southeast Asia begin to experience higher levels of economic and technological integration, and as the overall level of science and technology and knowl-

edge-based production in the region rises, China will face the task of fitting into the regional division of labor.

China's ties with the region since the late 1980s have been dualistic. China has been a target for investors from the region seeking low-cost labor who are willing to transfer production technologies and management skills as part of the cost of doing business; but at the same time, joint ventures with China have begun to emerge that seek to profit from China's R&D capabilities and infrastructure.

These ties are significant in light of the problems of China's national innovation system. In the short run China is unlikely to overcome the contradictions in its technology policy by attempting to resolve these problems on its own, whether it follows a mission-oriented or a diffusion-oriented approach. However, developing links with neighbors that possess proven technology policies (but that, except for Japan, have less R&D capability in place) could be important. Chinese R&D linked to the manufacturing and marketing expertise of an Asian partner would give both sides greater access to profitable opportunities along the path of a technological trajectory, and thus make a mission-oriented model more economically worthwhile. Similarly, Asian regional investments in China should improve China's ability to implement a diffusion-oriented strategy. Such ventures would raise skill levels, and exposures to "best practices" would help standardize industrial practices.

Closer ties with its regional neighbors are also likely to contribute to more creative solutions to China's problems with risk management, problems that are culturally as well as institutionally based. Since they came from the same Confucian tradition, these countries themselves have had to find solutions to risk management problems, and these solutions may be better as models for China than those based on Western individualist traditions. Similarly, Asian approaches to the role

of the state in the economy (and what is "public" rather than "private") may be more congenial to innovative approaches to property rights questions than Western approaches. China's interest in Singapore's chartered industries, as models of market-driven, but publicly owned enterprises, is an example.

POLICY FOR THE NINETIES

China is at an especially interesting point in its modern history. The problems of managing its modernization are enormous, its political future appears uncertain, its national ideology has lost its salience, and the hopes for the country's future once held by many of its best and brightest have nearly evaporated.

The problems also are legion in the areas of science and technology. Inadequate funding, serious distortions in the age structure of the technical community, a troubled educational system, the legacy of institutions that retard science, and the commercialization of research results are major obstacles.

Gloomy assessments, however, should not be allowed to mask a considerably more complex reality. Major changes in the past ten years have begun to reorient China's considerable technical resources toward more effective use. Many of these changes are still occurring, and the kinds of reorientation needed will take time. As China discovered in the 1980s, interaction with the international community could speed up the process. Opportunities for new international interactions are emerging, especially with China's regional neighbors. The prospects for science and technology in the 1990s, therefore, are closely tied to the attitude China takes toward these neighbors. The issue is not solely one of managing foreign relations but of creating a domestic environment—credible to the Chinese themselves and their neighbors—that allows ideas for institutional experimentation to be tested. ■

BOOK REVIEWS

ON CHINA

China's Crisis, China's Hope: Essays from an Intellectual in Exile

By Liu Binyan. Translated by Howard Goldblatt.
Cambridge: Harvard University Press, 1990. 150 pp., \$22.50.

China's Crisis

by Andrew Nathan. New York: Columbia University Press, 1990. 242 pp., \$24.50.

These two works cover the same time period and subject matter, but each has an entirely different tone.

Liu Binyan's essays passionately describe the atmosphere in which Chinese intellectuals have labored under the Communist leadership. They have recently awakened from a somnambulant propagation of the party line to become more like traditional Chinese intellectuals, who acted as guardians of the public conscience.

Liu's work as an investigative reporter for *People's Daily* led to his realization that the Communist party—to which he had been loyal—was systematically suppressing civil rights and was empowering itself rather than China. Unlike those of the leaders responsible for China's current morass, Liu's views have evolved—both because of his work in China and because of his exposure to other perspectives during his stay in the West. In spite of his sadness and anger at the wrongs done by the party, Liu is not bitter but instead hopeful about the prospect for improvement in China; he calls the victory of the conservative leadership in 1989 only "pyrrhic."

Liu's passion stands in contrast to Nathan's coolly reflective analyses of Chinese politics over the past 15 years. Unlike Liu, who was a participant as well as an observer, and unlike many foreign scholars, whose outrage sometimes overwhelmed their rationality when writing about recent events in China, Nathan maintains a respectable distance; he consistently views Chinese politics with a clear eye. Moreover, he is not from the "I told you so" school of Beijingology; Nathan freely admits that he has sometimes made misjudgments and that there are many things about the internal dynamics of the Chinese leadership we do not and may never know.

Aside from a chapter on political risk analysis, the most important discussion in this collection examines American views of China. Most Americans' perspectives have been based more on wishful thinking and a desire to see their values reflected in the Chinese rather than on paying close attention to clues in their own con-

text. The many who were taken in by Deng Xiaoping's professions of change willingly disregarded Chinese history, including factional politics and Maoist terror. It is worth recalling that the political reforms in Taiwan and the Soviet Union (both of which are discussed for comparative perspective) were not undertaken because of idealism or a desire to merge with the West, but because of their leaders' pragmatic calculation that reforms were the only way to ensure the survival of their regimes.

Nathan and Liu would agree that China seems to be on the road to democracy; however, that road is long and the system that will evolve may not necessarily be one that Westerners might recognize as democratic.

Debra E. Soled

Beijing Spring, 1989: Confrontation and Conflict, the Basic Documents

Edited by Michel Oksenberg, Lawrence R. Sullivan, and Marc Lambert. Armonk, N.Y.: M. E. Sharpe, Inc., 1991. 403 pp., cloth, \$45.00; paper, \$15.95.

This collection of documents presents the views of the Chinese establishment, offering the official interpretation of the democracy movement, its development in Beijing, and reactions to the events of 1989. Although an introductory essay and notes accompanying each document provide some context and framework, this volume is best read in combination with Han Minzhu's pseudonymous 1989 collection of documents from the demonstrators themselves (reviewed in *Current History*, September, 1990) and the essays in Nathan's *China's Crisis*. The introduction is too close to the events to give an assessment of the whole picture, although it provides a concise chronology.

The documents range from Prime Minister Zhao Ziyang's report on political reform to the thirteenth party congress in November 1987, to the discussions of neo-authoritarianism preceding the April 1989 outbreak of demonstrations, to the statements surrounding the democracy movement, the crackdown, and its aftermath. Reading the government documents two years later, the intricate wordplay seems like shadowboxing—feeble attempts by the regime to present its version of history. But understanding the logic behind the government's facile explanations is crucial to correcting the uncritical acceptance observers once had of official statements about reforming the role of the party in Chinese society; understanding the government's unwavering perspective may reduce the likelihood of such acceptance in the future.

D. E. S.

The Broken Mirror: China After Tiananmen

Edited by George Hicks. Chicago: St. James Press, 1990. 526 pp., \$45.00.

The Chinese People's Movement: Perspectives on Spring 1989

Edited by Tony Saich. Armonk, N.Y.: M. E. Sharpe, Inc., 1991. 250 pp., cloth, \$29.95; paper, \$14.95.

The Prodemocracy Protests in China: Reports from the Provinces

Edited by Jonathan Unger. Armonk, N.Y.: M. E. Sharpe, Inc., 1991. 239 pp., cloth, \$35.00; paper, \$15.95.

In *The Broken Mirror*, editor George Hicks has compiled responses to the Tiananmen massacre, some hastily prepared for this volume and others reprinted. The essays are pessimistic about the prospect for democracy in China, and range from skepticism about all accomplishments before 1989 to Simon Leys' statement that the legacy of the Communist regime "can be more evil than its rule... the poison may outlive the beast."

Chalmers Johnson's criticism of United States policy is particularly stinging; he argues that American policy has been two-faced: one toward the Soviet Union, now moving in a favorable direction but without any "special relationship" with the United States, and one toward China, which has had little respect for the democratic institutions and ideals that the United States espouses, and yet enjoys a "special relationship" with the United States. Fear of isolating China, according to Johnson, has led the United States to downplay China's violations of human rights and suppression of Tibetan desires for self-determination. Other contributors include Jan Prybyla, who doubts that any economic progress has been made, and Lucien Pye, who concludes that political progress is not inevitable.

The essays in Saich's book were the result of a conference held in September 1989 at Brandeis University. The papers cover topics such as the tradition of Chinese student protests since 1919, the development of the democracy movement in Beijing, the economic underpinnings of the protests, and the changing role of the media between April and June 1989. Also included is a detailed chronology from April 15 to July 1, 1989.

Most coverage of the democracy movement focused on Beijing. But as Unger's book shows the protest spread throughout China. The essays in *The Prodemocracy Protests* analyze the protest movements in Beijing and throughout the country, examining the similarities and differences in the intensity of the movements and the official reactions. In Beijing official response was severe; but in southern China, Fujian in particular, the movement was smaller and the response was less harsh. The reasons for the varied responses included the differing level of economic benefit people received from the reforms, the composition of the workforce and the attitude of local government officials.

The impression gained from this collection is that discontent was widespread; but political objectives varied to such an extent that, aside from reacting to the military crackdown in Tiananmen Square, the movements might be considered unconnected. The protests were nationwide but lacked a unifying structure or leader. With this degree of fragmentation, the 1989 protests should be seen as only a first tentative step toward a national movement for political change.

D. E. S.

The Economic Future of Hong Kong

By Miron Mushkat. Boulder, Col.: Lynne Rienner, 1990. 171 pp., \$18.00.

Mushkat's analysis of possible economic futures for Hong Kong starts with China's formula for governing the territory once it becomes part of China in 1997: "one country, two systems." There is some question as to whether China will be able to implement this scheme because of its own bureaucratic weaknesses and factors it cannot control, such as the willingness of the people in Hong Kong to make it work.

The discussion presents a range of possible alternative scenarios based on the judgments of a cross-section of Hong Kong professionals. Three scenarios emerge: optimistic, pessimistic, and "trend" (slightly more optimistic than pessimistic, but largely continuing the status quo). Chapters discuss in detail the characteristics, causes, and weaknesses of each scenario. The likelihood of each alternative is not addressed and is less the objective of the analysis than providing a foundation for designing policies to deal with each of the possibilities. Although this may be a useful exercise for business executives anxiously facing the arrival of 1997, general readers may be discouraged from working through the analysis because of its highly theoretical and technical nature.

D. E. S.

MISCELLANEOUS**On the Law of Nations**

By Daniel Patrick Moynihan. Cambridge, Mass.: Harvard University Press, 1990. 211 pp., \$22.50.

As vice-chairman of the Senate Select Committee on Intelligence, and as such supposed to be informed in advance of all covert actions, Daniel Patrick Moynihan was angered by disclosures of the mining of harbors in Nicaragua in 1984 by the Central Intelligence Agency and of the now-famous secret plan to arm the Nicaraguan contras using profits from the sale of weapons to Iran. Apart from being stupid, says the senator from New York in this book, these activities were violations of international law.

Moynihan skips around back in history and leaps ahead into a future freed from the cold war, pursuing the elusive and ever-shifting "law of nations"—which,

he explains, comprises treaties, accords, tradition, and the decisions of international organizations. But he hammers steadily away at his thesis that the Reagan years were the nadir in the United States for the idea of the rule of law in international relations.

"As the United States became more committed to the advancement of democratic values in the world at large," Moynihan writes of "Reagan Doctrine" anti-Communism, "it came more and more to do so by means of covert strategies. . . . [Secrecy] gives power to presidents to do things that come to seem merely extralegal, rather than illegal."

Moynihan excoriates the 1983 invasion of Grenada ("clearly a violation of the UN charter. This is not a matter of opinion. Most things are, no doubt; but not all things"); the mining of Nicaraguan ports; the intelligence community's subsequent "disinformation campaign" to discredit critics in Congress—himself and his committee chairman, Barry Goldwater, among them; and the "pusillanimous" withdrawal by the United States from the World Court after Nicaragua brought a case over the mining (United States officials "had decided that they could not trust the . . . International Court of Justice, but they could trust the Ayatollah Khomeini").

Of a meeting at which Cabinet members discussed whether to seek funding for the Nicaraguan contras elsewhere after Congress had outlawed aid to them, Moynihan observes, "The whole setting was normless to the point of nihilism." President Reagan "did invite and almost certainly did deserve impeachment" for his part in the Iran-contra affair, declares Moynihan. The senator is discreet about the role of former Vice President George Bush.

Although alarm and indignation over events of the last decade are the driving force behind this book, Moynihan spends the volume's first half being quirkily fascinating on the long internationalist tradition in the United States. That the two Presidents who did the most for international law, Moynihan's heroes Woodrow Wilson and Franklin Roosevelt, on occasion blatantly flouted it, is one of the ironies that Moynihan savors.

With regional and ethnic conflicts heating up and a global environment to be saved, Moynihan sees an urgent need to strengthen international covenants and organizations. Moynihan, although a firm believer in international organizations and law, makes no claims for their moral purity: "The point is not," he says, "that international law is higher law or better law; it is existing law. . . . Often as not it is the law of the victor; but it is law withal and does evolve."

Moynihan is sometimes arcane, sometimes self-congratulatory, but never dull. Besides, unlike those of almost all politicians and their speechwriters, his prose is elegant and his thoughts worth knowing.

Alice H. G. Phillips

Amnesty International Report: 1991

By Amnesty International USA. New York: Amnesty International, 1991. 290 pp., \$12.00.

Amnesty's 1991 report on human rights abuses is, like its predecessors, depressing reading. This year's report notes that the positive political changes in Europe, Latin America, and Africa have not translated into an end to government-sanctioned torture, beatings, "disappearances," and murder—all of which continue with sickening regularity throughout the world. And the selective moral outrage of governments like that of the United States—which decried Iraqi atrocities in Kuwait yet turned a blind eye to death squad murders in El Salvador and "extrajudicial" killings in Guatemala—only exacerbates the problem. The centerpiece of the new world order will undoubtedly be the realpolitik of the old.

William W. Finan, Jr.

The Commanders

By Bob Woodward. New York: Simon and Schuster, 1991. 398 pages, \$24.95.

Like Ronald Reagan, President George Bush has been quick to use military force to remedy foreign policy problems. How Bush's decisions to use force developed and who contributed to them form the substance of *The Commanders*. The unique fusion of novelistic and journalistic devices that Woodward is known for—unattributed quotations, "reconstructed" dialogue, interior monologue—give the book a conversational style that personalizes the main actors but leaves little room for analysis. This "you are there" approach makes for a good recounting of the decision-making process that led to the invasion of Panama and the war against Iraq. But it is too focused on the inner circle debates of the Bush administration and leaves out any discussion of how the coalition that fought the Gulf war was built or the attempts to court Congress in the weeks before the war began.

W. W. F.

President Reagan: The Role of a Lifetime

By Lou Cannon. New York: Simon and Schuster, 1991. 948 pages, \$24.95.

Washington Post reporter Lou Cannon's clearheaded history of the Reagan presidency is required reading. Cannon skillfully weaves together an analysis of Reagan the man, his actions while in office, and his responses to criticisms and setbacks encountered during his two terms. The approach is even handed, yet Cannon does point up and critically assess the mistakes Reagan made, including the Iran-contra affair, of which he offers a superb account. The Reagan era was unique in American politics, and as people now question what the legacy of that era is they will find Cannon's book indispensable in determining the answer.

W. W. F. ■

FOUR MONTHS IN REVIEW

APRIL 1991

INTERNATIONAL

European Community (EC)

April 15—The 12 EC foreign ministers agree to lift the remaining EC sanctions against South Africa that ban EC imports of iron, steel, and gold coins; they say the approval of the European Parliament is not required.

Group of Seven

April 28—In Washington, D.C., finance ministers from the world's 7 leading industrial nations reject a request by US President George Bush to lower interest rates; short-term interest rates in Germany, the primary target of the request, are about 9 percent, compared with 6 percent in the US.

International Monetary Fund (IMF)

April 18—The IMF agrees to provide \$2.48 billion in loans to Poland over the next 3 years if Poland limits its budget deficit, reduces its inflation rate to 12 percent annually, and adopts other economic austerity measures; in March the Paris Club, an informal group of Western creditor nations and Japan, forgave half of Poland's \$33-billion government-to-government debt on the condition that Poland adopt the IMF measures.

Persian Gulf Crisis

(See also *Intl, UN; Iran; Iraq; Japan; Turkey; US, Foreign Policy*)

April 7—US, British, and French military cargo planes begin an airlift of emergency supplies to Kurdish refugees in the mountains of northern Iraq; hundreds of thousands of Kurds have fled to Turkey and Iran since the failure of last month's Kurdish and Shiite Muslim rebellions against Iraqi President Saddam Hussein.

April 14—US Defense Secretary Dick Cheney says that between 25,000 and 30,000 of the approximately 40,000 US troops still in southern Iraq will be withdrawn in the next few days to Saudi Arabia to await return to the US.

April 16—US President George Bush announces that US, British, and French troops will build and provide protection for 5 or 6 interim refugee camps for Kurds in the flatlands of northern Iraq; he says the plan is "consistent" with UN Security Council Resolution 688 on the Kurdish refugee crisis. The US Defense Department says that the camps can house 100,000 people each.

April 20—About 500 US marines take control of Zakho, Iraq, 9 miles south of the Iraqi-Turkish border, and begin securing the perimeters of the 1st Kurdish refugee camp.

April 24—US troops formally turn over the demilitarized zone along the Iraqi-Kuwaiti border to a 1,440-member UN peacekeeping force; Iraq and Kuwait, whose military forces are excluded from the zone, will assume civil control of their sections of the zone; the US commander in the zone says that his troops will continue to protect the

approximately 40,000 Iraqi refugees there.

Lieutenant General Khalid ibn Sultan, the commander of Arab forces in the Persian Gulf, says Saudi Arabia will accept all Iraqi refugees in areas under US control in southern Iraq.

April 26—UN Secretary General Javier Pérez de Cuéllar says that 1.02 million Iraqi refugees, primarily Kurds and Shiite Muslims, crossed into Iran in April; UN officials report that 2,000 of them are dying daily. Pérez de Cuéllar says that 416,000 Kurdish refugees have entered Turkey from Iraq, and that between 200,000 and 400,000 are camped in northern Iraq near the Turkish border.

United Nations (UN)

(See also *Intl, Persian Gulf Crisis; El Salvador; Iraq; Mali; US, Legislation*)

April 3—The Security Council approves Resolution 687, which sets conditions for a permanent cease-fire in the Persian Gulf war and the gradual relaxation of sanctions against Iraq. Under the terms of the resolution, Iraq must accept its 1963 border with Kuwait; a demilitarized zone extending 6 miles into Iraq and 3 miles into Kuwait along the 125-mile-long border will be created, and will be monitored by a UN peacekeeping force. Iraq must also agree to the destruction of its nonconventional weapons and surrender its ballistic missiles; after Iraq sets up a fund to pay war reparations, the Security Council will lift its ban on Iraqi exports.

April 6—In Baghdad, Iraq's 250-member National Assembly votes 160 to 31 to accept the peace terms contained in Security Council Resolution 687; Iraqi ambassador to the UN Abdul Amir al-Anbari delivers to the UN letters conveying Iraq's acceptance "without conditions"; a permanent cease-fire in the Gulf war is automatically activated.

April 16—Iraq requests from the Security Council permission to export \$942.5-million worth of oil over the next 4 months in order to pay for emergency humanitarian supplies.

April 18—The UN releases the text of a letter signed by Iraqi President Saddam Hussein and submitted in compliance with Resolution 687; Iraq says it has 1,000 tons of nerve and mustard gas, about 10,000 nerve gas warheads, and 52 Scud missiles but no biological weapons; Iraq also says that it does not have nuclear weapons, weapons-grade uranium, or facilities for producing nuclear arms.

April 29—The Security Council votes unanimously to send 1,700 peacekeeping troops to the Western Sahara to enforce a cease-fire between Morocco, which occupies the territory, and the rebel Polisario Front (Popular Front for the Liberation of Saguia el-Hamra and Río de Oro); the UN troops will oversee a referendum on independence to be held within 9 months.

AFGHANISTAN

April 1—*The New York Times* reports that yesterday Afghan guerrillas seized Khost, a garrison town near the Pakistani border that guards supply routes to Kabul; the guerrillas reportedly captured 6,000 government troops.

April 21—Rebels claim that government forces fired Scud missiles into a bazaar in Asadabad on April 18, killing at least 400 people and injuring as many as 500.

April 22—The government denies that it fired missiles on Asadabad, claiming the attack was by a rebel faction.

ALBANIA

April 1—Results of the country's 1st free parliamentary elections, held yesterday, show that the Communist party won 160 of the 250 seats; the opposition Democratic party won 75 seats and carried the vote in the 6 largest cities; runoff elections will be held for the remainder of the seats.

April 2—In Shkoder government troops fire on anti-Communist demonstrators protesting the election results; 3 protesters are killed and 30 are injured.

April 15—The Democratic party boycotts the 1st session of the new multiparty Parliament.

April 30—Parliament reelects Ramiz Alia president of Albania; the opposition does not field a candidate and abstains from voting.

ANGOLA

April 24—President José Eduardo dos Santos accepts a Portuguese plan for holding Angola's 1st multiparty elections in 1992.

At the opening session of a party congress of the ruling Popular Movement for the Liberation of Angola (MPLA), called to renounce the MPLA's adherence to Marxism-Leninism, dos Santos says he has accepted a Portuguese proposal for a cease-fire in Angola's civil war; the cease-fire would begin in May.

BANGLADESH

April 30—Prime Minister Khaleda Zia says that the cyclone that struck her country today caused \$1-billion worth of damage; at least 1,000 people are reported killed, but the death toll is expected to rise.

BRAZIL

April 8—In New York representatives of commercial banks and the Brazilian government agree on a plan to retire \$8 billion in unpaid interest on Brazil's commercial loans.

CAMBODIA

(See *US, Foreign Policy*)

CHINA

(See also *Taiwan; US, Foreign Policy*)

April 8—The government installs Zou Jiahua, minister of the State Planning Commission, and Zhu Rongji, mayor of Shanghai, as deputy prime ministers.

April 9—At a news conference at the end of the annual session of the National People's Congress, Prime Minister Li Peng defends the 1989 crackdown on the democracy movement and says the government is ready to use "resolute measures" in similar situations in the future.

April 30—*The New York Times* reports that many dissidents are still being detained without trial; in March the government had said the trials of democracy activists were finished.

COSTA RICA

April 22—An earthquake measuring 7.4 on the Richter scale strikes; at least 500 people are reported injured and as many as 70 have been killed throughout the country.

EL SALVADOR

April 27—In UN-mediated negotiations in Mexico City, the Salvadoran government signs an accord with leaders of the Farabundo Martí National Liberation Front (FMLN); under the accord, the government will support constitutional amendments that would place Salvadoran armed forces under presidential control and would reform the court system.

FRANCE

(See *Intl, Persian Gulf Crisis; Iraq*)

GERMANY

(See *Intl, Group of Seven*)

GUINEA

(See *Sierra Leone*)

HAITI

April 4—The government arrests former President Ertha Pascal-Trouillot on charges of complicity in a January coup attempt; Pascal-Trouillot, who was installed as president in March 1990, relinquished her post to the popularly elected Jean-Bertrand Aristide on February 7.

IRAN

(See also *Intl, Persian Gulf Crisis; Iraq; Syria; US, Political Scandal*)

April 7—Iran announces that it can accept no more Kurdish refugees; more than 500,000 Kurds have entered the country since late March.

IRAQ

(See also *Intl, Persian Gulf Crisis, UN; Japan; Turkey; US, Foreign Policy, Legislation*)

April 1—Kurdish rebels withdraw into the Jebel Sinjar mountains along the Turkish border; hundreds of thousands of noncombatant Kurds flee into the mountains to avoid attack by Iraqi troops.

April 9—The UN High Commissioner for Refugees estimates that about 750,000 Kurds have fled to Iran and 280,000 have crossed into Turkey.

April 21—In compliance with US demands, 2 Iraqi battalions begin to withdraw from northern Iraq near the Turkish border; US forces are constructing camps in the area to shelter Kurdish refugees.

April 24—After several days of meetings with President Saddam Hussein, Iraqi Kurdish leaders say they have reached an agreement with him that would allow Kurdish regions some autonomy; no written agreement has been signed.

April 29—Kurdish guerrilla leaders agree to allow Kurdish

refugees to pass through rebel checkpoints and into a zone in northern Iraq protected by US, British, French, and Dutch troops; refugee families begin to arrive at the tent city in Zakho.

ISRAEL

(See also *US, Legislation*)

April 9—After meeting in Jerusalem with US Secretary of State James Baker 3d, Foreign Minister David Levy says that Israel has agreed to attend a Middle East peace meeting sponsored by the US and the Soviet Union that will, after a ceremonial opening, break up into direct talks between Israel and Arab states and between Israel and the Palestinians.

April 10—Housing Minister Ariel Sharon says efforts to establish new Israeli settlements in the occupied territories will continue; Baker has requested that there be no new settlements.

April 17—In the 2d attack in a week, guerrillas cross into Israel from Jordan, killing 1 Israeli farmer and wounding 3 others at a border kibbutz near the Sea of Galilee.

April 23—For the 2d time in a week, Gush Emunim, a movement of Israeli settlers, opens a new settlement in the occupied West Bank.

April 28—After a meeting of the Cabinet, Prime Minister Yitzhak Shamir says his government does not support the periodic reconvening of an overarching regional peace conference to monitor progress toward peace in the Middle East.

ITALY

April 11—Giulio Andreotti, whom President Francesco Cossiga asked to continue as prime minister, presents a new coalition government that includes the 5 political parties that made up the previous government.

JAPAN

(See also *US, Foreign Policy*)

April 17—On the 2d day of meeting between Soviet President Mikhail Gorbachev and Japanese Prime Minister Toshiki Kaifu, Gorbachev asks Japanese legislators and business leaders to invest in the Soviet Union; this is the 1st visit of a Soviet leader to Japan.

April 18—Ending their 3 days of talks, Gorbachev and Kaifu sign 15 agreements on economic and cultural matters; they fail to make progress on large-scale Japanese investment or economic cooperation or to resolve a longstanding dispute over several islands in the Kurile chain; Gorbachev formally states for the 1st time, however, that the dispute is "a proper subject" for further discussion and agrees to reduce Soviet forces on the disputed islands.

April 24—Kaifu announces that Japan will send 4 mine-sweepers to the Persian Gulf; this is the 1st time Japanese forces have been sent to foreign territory since World War II. In a separate announcement, the government says it will allocate \$100 million in emergency relief for Kurdish refugees fleeing Iraq.

JORDAN

(See *Israel*)

KOREA, NORTH

(See *Korea, South*)

KOREA, SOUTH

April 19—Soviet President Gorbachev arrives at Cheju Island for his 3d meeting in 10 months with South Korean President Roh Tae Woo; this is the 1st visit by a Soviet head of state to the Korean peninsula.

April 20—Gorbachev and Roh agree to negotiate a treaty of mutual cooperation and to increase trade; they also call on North Korea to open its nuclear reactors to international inspection.

April 27—Roh dismisses Interior Minister Ahn Eung Mo; the dismissal comes after reports that yesterday police beat a student protester to death with steel pipes.

April 30—For a 2d day, as many as 20,000 students demonstrate at several university campuses after a student set fire to herself to protest the April 26 police beating.

KUWAIT

(See also *Intl, Persian Gulf Crisis, UN; US, Legislation*)

April 7—The emir, Sheik Jaber al-Ahmed al-Sabah, says parliamentary elections will be held "during the coming year" but does not specify a date.

April 8—In Kuwait City more than 1,000 Kuwaitis rally to express disappointment over the emir's indefinite time frame for elections; the demonstrators seek immediate parliamentary elections and the restoration of Parliament, which was suspended in July 1986.

April 17—In an interview with Western reporters, the crown prince and prime minister, Sheik Saad al-Abdullah al-Sabah, says he wants US troops to remain in Kuwait.

April 20—Crown Prince Saad announces a new Cabinet that retains members of the royal family in important posts. The crown prince remains prime minister.

LEBANON

(See also *Syria*)

April 29—Samir Geagea announces that the Lebanese Forces, the most powerful Christian militia, is disarming and handing over its territory in the Kesrouan Mountains to the Lebanese army in accordance with the "charter of national reconciliation" approved by Lebanese Muslim and Christian leaders at a conference in Taif, Saudi Arabia, in 1989; the deadline for all militias to disarm is May 1.

Druse militia forces in the Shuf Mountains surrender their arms to Lebanese authorities.

LESOTHO

April 30—Rebel army officers stage a bloodless coup, forcing Major General Justin Lekhanya to resign as leader of the ruling military junta; Colonel Elias Ramaema succeeds Lekhanya.

LIBERIA

(See *Sierra Leone*)

MALI

April 2—Soumana Sacko, a senior UN Development

Program official, is named interim prime minister by the military junta that overthrew the government of Moussa Traoré on March 26; Sacko will oversee a transitional government until multiparty elections are held.

MOROCCO

(See *Intl, UN*)

NETHERLANDS

(See *Iraq*)

NICARAGUA

(See *US, Foreign Policy*)

NIGERIA

(See also *Sierra Leone*)

April 24—The army enters Bauchi to suppress clashes between Christians and Muslims that began 2 days ago; the violence, which was sparked by a dispute over religious dietary practices, killed several hundred Christians and caused thousands of Christians to flee; more than 100 Muslims are killed by the army in the suppression.

PAKISTAN

April 10—Fulfilling Prime Minister Nawaz Sharif's election pledges to Islamic religious parties, the government introduces legislation that would make Islamic law the highest law in Pakistan.

PERU

April 6—Police report that yesterday guerrillas bombed several embassies and banks in Lima and attacked Peru's electrical distribution system, leaving half the population without electricity.

POLAND

(See also *Intl, IMF*)

April 9—The Soviet Union begins the withdrawal of its troops from Poland; the withdrawal of the 50,000 troops is to be completed by 1993.

PORTUGAL

(See *Angola*)

SAUDI ARABIA

(See also *Intl, Persian Gulf Crisis*)

April 26—In an interview, Lieutenant General Khalid ibn Sultan, the commander of Arab forces in the Persian Gulf, says Saudi Arabia does not need a larger US military presence than it had before the Gulf war; he would limit the US military role to training.

SIERRA LEONE

April 16—*The New York Times* reports that Nigeria and Guinea have sent troops to Sierra Leone to help repel an invasion from Liberia; Sierra Leone's president, Joseph Momoh, said on April 11 that Liberian rebel leader Charles Taylor was directing the incursion, while Western and African diplomats indicated that the uprising may have been incited by Liberian-affiliated rebels but was growing with domestic support within Sierra Leone.

SOUTH AFRICA

(See also *Intl, EC*)

April 5—In a letter to the government, the African National Congress (ANC) warns that it will withdraw from negotiations with Pretoria unless the government helps to end the violence in black townships and meets several demands, including the dismissal of the ministers of defense and law.

April 6—Responding to the ANC's letter, President F. W. de Klerk accuses the organization of exploiting black factional violence for political purposes.

April 9—The government proposes a draft bill in Parliament to repeal the Population Registration Act, which classifies all South Africans by race.

April 17—ANC deputy president Nelson Mandela tells residents of black townships to defend themselves against black factional violence; he tells reporters that paramilitary self-defense forces will be formed.

SYRIA

April 29—In Damascus, President Hafez Assad and Iranian President Hashemi Rafsanjani agree to allow the Iranian-supported Party of God militia to remain in southern Lebanon and the Bekaa Valley.

TAIWAN

April 30—President Lee Teng-hui revokes the emergency decree issued by the Nationalist government in 1948 that imposed martial law and allowed parliamentary deputies elected in mainland China in 1947 to remain in office; these deputies must now retire by the end of 1991, and new deputies will be elected to represent areas in Taiwan. Lee says Taiwan will now refer to the Chinese Communists as "authorities" rather than "rebel bandits," as had been the practice since 1949, but he does not end the formal state of war between his government and the Chinese Communist government.

TURKEY

(See also *Intl, Persian Gulf Crisis; Iraq*)

April 3—Government officials say Turkey will not allow the mass entry of Kurdish refugees fleeing Iraq into southeastern Turkey, but will permit those who have already crossed the border to remain; camps have been set up to provide shelter for the refugees in several southeastern cities.

April 16—In a televised address, President Turgut Ozal appeals to foreign governments to help resettle the Kurdish refugees in northern Iraq.

UNION OF SOVIET SOCIALIST REPUBLICS (USSR)

(See also *Israel; Japan; Korea, South; Poland*)

April 1—In elections held today in the Georgian republic, 99% of the voters cast ballots in support of independence.

Shortly after the results of the Georgian vote are announced, the Congress of People's Deputies in Moscow votes that Soviet President Mikhail Gorbachev should declare a state of emergency in Georgia and dispatch troops to quell ethnic violence between Georgians and Ossetians; the Ossetians oppose Georgian independence.

April 4—In Minsk tens of thousands of workers strike to

protest nationwide price increases put into effect April 1; the workers threaten to call a general strike and demand the resignation of Gorbachev and the Byelorussian president, Nikolai Dementi.

In Moscow the Russian republic parliament approves a plan to give the Russian republic president, Boris Yeltsin, broader authority, including the power to issue emergency decrees.

April 9—The Georgian republic parliament declares its unanimous support for independence.

Speaking on national television, Gorbachev demands a moratorium on politically motivated strikes and demonstrations, warning that the Soviet Union is in imminent danger of collapse.

April 10—Tens of thousands of workers in Minsk again rally to protest price increases and Gorbachev's demand for an end to strikes.

April 18—Representatives of striking coal miners in the Russian republic meet with Russian republic officials, including Yeltsin, to discuss gaining local control over the mines; republic authorities announce a plan to claim jurisdiction over all the coal mines in the Russian republic.

April 22—The government formally presents its "anti-crisis" economic program to the Congress; the plan bans strikes and advocates some privatization under state supervision.

April 24—*Pravda* publishes an agreement reached by Gorbachev and the leaders of 9 of the 15 republics at a secret meeting held yesterday; the pact includes a plea to coal miners to end their strike, a promise to reform the treaty of national union and revise the constitution, a revision of the government's tax and price programs, and an "enhanced" role for the major republics in governing.

April 25—At a closed session of the Central Committee of the Communist party, Gorbachev offers to resign as party leader after hard-line conservatives criticize his economic policies and call for harsh measures to restore order in the Soviet Union. After the session reconvenes, Deputy General Secretary Vladimir Ivashko says the Politburo has unanimously decided not to accept the resignation.

April 29—An earthquake measuring at least 7 on the Richter scale strikes the Georgian republic; at least 30 people are killed.

April 30—The death toll in yesterday's earthquake rises to more than 100.

UNITED KINGDOM (UK)

Great Britain

(See also *Intl, Persian Gulf Crisis; Iraq*)

April 23—Environment Minister Michael Heseltine presents a proposal for a new property tax, to replace the per capita tax introduced in 1989; the proposal must be approved by Parliament for implementation in 1993.

UNITED STATES (US)

Administration

(See also *Intl, Group of Seven*)

April 15—Labor Secretary Lynn Martin announces that she is fining 500 mining companies \$7 million for tampering with coal dust samples used to check for the risk of black lung disease; the Labor Department says 40% of the mines

tested in the past 18 months submitted falsified samples.

April 18—President George Bush announces an education plan he will send to Congress that would allow for parental choice in the selection of their children's schools, national testing of students, federal funding based on a school's performance, and research grants for public schools.

The Census Bureau says that the 1990 census failed to count between 4 million and 6 million people and undercounted a higher proportion of minorities than of whites.

April 26—In testimony before the Senate Banking Committee, Comptroller General Charles Bowsher says that the Federal Deposit Insurance Corporation (FDIC) depositor-insurance fund is "nearly insolvent"; he recommends raising \$15 billion for the fund with an immediate special assessment on banks.

ECONOMIC INDICATORS April Reports

	Change from previous period	Total
Gross National Product	- 2.8%	\$4.12 trillion
1st quarter, 1991		
2d consecutive quarter of decline		
Merchandise Trade Deficit	- 26%	\$5.33 billion
February		
Smallest deficit in 7 years		
Consumer Price Index	- 0.2%	135 points
March		
First decline since April 1986		
Unemployment	+ 0.3%	6.8%
March		(8.6 million)
Highest level since 1986		
Dow Jones Industrial Average	+ 17.58 points	3,004.46 points
April 17		
1st time Dow closes over 3,000 points		
Discount Rate	- 0.5%	5.5%
April 30		

Sources: Commerce and Labor Department reports; news reports.

Foreign Policy

(See also *Intl, Persian Gulf Crisis; Iraq; Israel*)

April 4—President Bush meets in Newport Beach, California, with visiting Japanese Prime Minister Toshiki Kaifu.

April 6—The State Department warns Iraq that the US will not allow any Iraqi military activity in northern Iraq while US troops oversee relief operations for the Kurds.

The Bush administration freezes aid to the 2 non-Communist rebel groups in Cambodia, saying the rebels violated congressional prohibitions against military coordination with Khmer Rouge guerrillas.

April 16—Appearing before a joint session of Congress, Nicaraguan President Violeta Barrios de Chamorro asks

for economic aid for her country; Chamorro later meets with President Bush, who promises to lead an international effort to reduce \$350 million in overdue interest payments that Nicaragua owes on its foreign debt.

April 16—The Dalai Lama, the spiritual leader of Tibet and leader of its government in exile, meets with President Bush in Washington, D.C.

April 20—US and Vietnamese negotiators announce in Hanoi that the US will open a temporary office there to resolve cases of 2,278 US soldiers listed as prisoners of war (POWs) or missing in action in Indochina during the Vietnam war.

April 25—The State Department announces that the US will provide \$1 million in humanitarian aid to Vietnam.

Labor and Industry

(See also *Brazil*)

April 16—New York State insurance regulators seize control of the Executive Life Insurance Company's unit in New York; on April 11, state regulators seized control of Executive Life of California, saying defaults and junk bond holdings had put the parent company, First Executive Corporation, at risk; this is the largest failure to date of a US insurer.

April 17—A nationwide railroad strike by 11 unions against the 10 largest rail freight carriers begins; service on long-distance passenger lines is also halted. Congress votes to stop the strike and creates a 3-member board that will impose a settlement within 65 days.

April 24—In Anchorage, US district court judge H. Russel Holland refuses to accept the Exxon Corporation's plea agreement with the US government and Alaska on criminal charges stemming from the 1989 *Exxon Valdez* oil spill; Holland says the \$100-million criminal fine that Exxon agreed to last month as part of a \$1.1-billion settlement is insufficient; he gives the company 30 days to decide whether to stand trial on 4 criminal misdemeanor counts or be sentenced by him.

Legislation

April 18—The Senate approves by voice vote a bill calling on President Bush to request the creation of a UN tribunal to try Iraqi President Saddam Hussein and other Iraqi leaders for war crimes; according to the measure, these crimes include missile attacks against Israel, mistreatment of civilians during the occupation of Kuwait and of coalition POWs, and environmental destruction.

Military

(See also *Kuwait*; *Saudi Arabia*)

April 12—Defense Secretary Dick Cheney announces a plan to close 31 major and 12 minor military installations and to consolidate 28 others, with a loss of 70,000 military and civilian jobs; he says the plan would save \$800 million over the next 5 years and \$1.7 billion annually thereafter.

April 23—The Air Force announces that it has selected the Lockheed Corporation's prototype for the new F-22 fighter plane, which will replace the F-15 Eagle as the primary Air Force fighter; Lockheed, in partnership with the General Dynamics Corporation and the Boeing Company, would manufacture 650 F-22s, costing approximately \$95 billion.

Political Scandal

April 8—The Federal Election Commission announces that former House Speaker Jim Wright (D-Tex.) has agreed to pay \$15,000 to settle charges that he accepted \$2,250 in illegal campaign contributions and \$88,500 in excessive contributions; Wright resigned in 1989 after a House ethics investigation of his personal finances.

April 15—In an article in *The New York Times*, Gary Sick, a member of the National Security Council under President Jimmy Carter, alleges that a secret arms deal between Iran and the Ronald Reagan-George Bush campaign delayed the release of 52 American hostages in Teheran until after the 1980 presidential election.

Politics

April 30—Paul Tsongas, a former senator from Massachusetts, announces his candidacy for the 1992 Democratic presidential nomination.

Science and Space

April 4—The Environmental Protection Agency (EPA) announces that the ozone layer over the US is being depleted twice as rapidly as previously estimated; it has been reduced by between 4.5% and 5% for several months each year in the past decade.

April 6—Astronauts from the space shuttle *Atlantis*, launched yesterday from Kennedy Space Center in Cape Canaveral, Florida, deploy a \$600-million, 17-ton satellite to survey gamma ray radiation in space.

April 28—The space shuttle *Discovery* lifts off from Kennedy Space Center on a mission for the Defense Department; its astronauts will test missile sensors for use in the Strategic Defense Initiative program.

Supreme Court

April 1—The Court, in a 7-2 decision, says that consideration of race in the state's selection of a jury is unconstitutional.

The Court rules 6 to 3 that state regulatory agencies are almost always exempt from lawsuits brought under antitrust laws.

April 16—In a 6-3 ruling on a Georgia death penalty case, the Court says that a convicted person's 2d and subsequent habeas corpus petitions to have his case reconsidered on grounds of unconstitutionality must be dismissed except in unusual situations.

April 23—In a unanimous opinion, the Court affirms the authority of the National Labor Relations Board (NLRB) to set policy for whole industries rather than working on a case-by-case basis, and upholds board regulations for private community hospitals that make organizing labor unions there easier.

The Court rules 7 to 2 that evidence discarded by a suspect fleeing from police can be admitted in court even if the officers in pursuit do not have a "reasonable suspicion" of wrongdoing.

VIETNAM

(See *US*, *Foreign Policy*)

WESTERN SAHARA

(See *Intl*, *UN*)

MAY 1991

INTERNATIONAL

Coordinating Committee for Multilateral Export Controls (COCOM)

May 23—Meeting in Paris, representatives from the 17 member states agree to cut by 50% the number of high-technology items that cannot be exported to the Soviet Union, China, and other Communist or former Warsaw Treaty Organization (Warsaw Pact) countries without a special license.

International Atomic Energy Agency (IAEA)

(See *Intl, UN*)

North Atlantic Treaty Organization (NATO)

May 28—In Brussels, NATO announces a reorganization of its forces in Europe that is scheduled to begin in 1994 and to be completed in 1999; US forces in Europe, which currently number 320,000 troops, will be reduced by at least 50%.

Palestine Liberation Organization (PLO)

(See *Lebanon*)

Paris Club

May 26—At a meeting in Paris that ended today, the 17 creditor nations of the Paris Club agree to forgive half the \$20.2 billion that Egypt owes them; the decision, made at the request of the US and its allies in the Persian Gulf war, will reduce Egypt's annual debt payments by about \$1 billion a year.

Persian Gulf Crisis

(See also *Intl, UN; US, Foreign Policy, Military*)

May 2—US, British, French, and Dutch troops in northern Iraq extend the protected zone for Kurdish refugees from Zakho to beyond Amadiya, where a new refugee camp will be built; the zone now covers roughly 1,500 square miles; US military officials report that all but a few Iraqi troops have left the area.

May 7—US Secretary of Defense Dick Cheney says that the remaining US troops in the Iraqi-Kuwaiti demilitarized zone will withdraw in 2 days and that US air patrols over southern Iraq will end today.

May 11—In a mass voluntary repatriation, US and coalition troops begin ferrying Kurdish refugees from the mountains along the Turkish-Iraqi border to the coalition-protected zone in the flatlands of northern Iraq; a US military spokesman at Incirlik Air Base in Turkey estimates that 190,000 refugees had left the mountain camps before today's repatriation and that 260,000 remain.

May 12—Kurdish leaders reject a US-mediated plan to return refugees to Dohuk, Iraq, a provincial center outside the protected zone for Kurds; they will return only if their safety is guaranteed by US and allied troops, or if Iraqi President Saddam Hussein signs an agreement establishing Kurdish autonomous regions.

May 18—Kurdish leaders in Baghdad say they have reached an agreement with the Iraqi government to establish

Kurdish autonomous regions in northern Iraq and democracy throughout Iraq.

May 24—Under a May 22 accord with Iraqi military commanders, 170 US troops enter Dohuk and begin restoring basic services.

May 29—In Washington, D.C., the environmental group Greenpeace issues a report estimating that as many as 200,000 people have died as a result of the Persian Gulf war and that between 5 million and 6 million were displaced; according to the report, between 100,000 and 120,000 Iraqi troops were killed; between 5,000 and 15,000 Iraqi civilians died in US and coalition bombing raids; between 2,000 and 5,000 Kuwaitis died; 20,000 died in Kurdish and Shiite rebellions against Saddam after the war; between 15,000 and 30,000 refugees have died; and as many as 16,000 other Iraqis have died of starvation. Neither the US nor Iraq has released casualty figures.

UNITED NATIONS (UN)

(See also *Angola; Cambodia; Ethiopia; Korea, North; US, Foreign Policy*)

May 13—The UN assumes administrative control of the main Kurdish refugee camp in northern Iraq, at Zakho.

May 17—The General Assembly appropriates \$200 million for a mission to Western Sahara to prepare for a plebiscite on the territory's independence from Morocco.

May 22—An International Atomic Energy Agency team finishes inspecting Iraq's main nuclear research facility at Al-Tuwaitha outside Baghdad; the team, working under the terms of the UN cease-fire in the Persian Gulf war, put 26 pounds of highly enriched uranium under tamper-proof seal.

May 23—In Baghdad the UN and Iraq sign an agreement allowing between 400 and 500 lightly armed UN guards to patrol in northern Iraq.

May 24—The Security Council's 15 members unanimously condemn Israel's deportations of Palestinians from the occupied territories.

Warsaw Treaty Organization (Warsaw Pact)

(See *Intl, COCOM*)

ALBANIA

May 4—President Ramiz Alia resigns as leader of the Communist party and vacates his other party posts; Parliament modified the constitution in late April to prohibit the head of state from holding party office.

May 9—Prime Minister Fatos Nano, appointed by Alia in February, announces a new 25-member Cabinet made up entirely of Communists.

May 29—More than 10,000 people rally in Tirana in support of miners on strike since May 16.

ANGOLA

May 25—The last Cuban soldiers leave Angola, ending Cuba's role in Angola's 16-year civil war.

May 31—In Lisbon, Angolan President José Eduardo dos Santos and National Union for the Total Liberation of

Angola (UNITA) leader Jonas Savimbi sign a peace agreement ending the civil war; an official cease-fire goes into effect. The agreement calls for the government and UNITA to create a unified military force, work toward political pluralism, and hold free elections in the latter half of 1992. A UN peacekeeping force will monitor the cease-fire until the elections are held.

BANGLADESH

May 4—The death toll from a cyclone that struck on April 30 is officially put at more than 92,000 people, but disease and starvation are expected to increase the total to more than 200,000.

CAMBODIA

May 1—The government, the Khmer Rouge, and the 2 non-Communist guerrilla groups agree to a cease-fire and to UN-mediated talks.

CHINA

(See *Intl, COCOM; USSR; US, Foreign Policy*)

CUBA

(See *Angola*)

EGYPT

(See *Intl, Paris Club*)

ETHIOPIA

May 19—Military officials say that in the last 2 days guerrillas, including the Eritrean People's Liberation Front (EPLF) and the Ethiopian People's Revolutionary Democratic Front (EPRDF), have taken control of several strategic towns and are threatening to cut off Addis Ababa from Assab, the remaining government-controlled port on the Red Sea; the EPRDF is a primarily Marxist coalition dominated by Tigrean guerrillas.

May 21—Mengistu Haile Mariam resigns as president, hands over control of the government to Vice President Tesfaye Gebre-Kidan, and flees to Zimbabwe. Prime Minister Tesfaye Dinka asks the US to request that guerrillas call a cease-fire. The rebels refuse to halt their offensive.

May 24—Israel begins airlifting the remaining population of Ethiopian Jews, estimated at some 15,000, to Israel; Gebre-Kidan secretly agreed to the massive airlift after he received a letter from US President George Bush yesterday; in his letter, President Bush said that the US would help mediate a settlement to the civil war in exchange for the immediate emigration of Ethiopia's Jews.

May 25—The Israeli government announces that it has airlifted 14,500 Ethiopian Jews to Israel in 2 days.

Guerrilla forces capture Assab.

May 26—US Assistant Secretary of State for African Affairs Herman Cohen asks the guerrillas to stop their offensive to allow guerrilla and government representatives at US-mediated peace talks in London time to create a transitional government.

May 27—Gebre-Kidan surrenders to EPRDF forces and agrees to relinquish control of the capital. US mediators there and in London arrange a cease-fire and transfer of power.

May 28—Guerrillas take control of the capital after Gebre-Kidan agrees to allow them to enter unhindered.

Meles Zenawi, the leader of the EPRDF, says that his organization, which is holding the capital, will cede power to a transitional government.

May 29—Isais Afwerki, leader of the EPLF, which has taken control of Eritrea, says his organization will form a separate provisional government to rule until a UN-supervised referendum on Eritrean independence is held.

In Addis Ababa, thousands of demonstrators protest the US role in negotiations on Ethiopia's future; they claim that the US has supported the partitioning of Ethiopia among rival rebel groups. Members of the EPRDF open fire on the protesters, killing at least 10 people.

FRANCE

(See also *Intl, Persian Gulf Crisis; US, Foreign Policy*)

May 15—Michel Rocard resigns as prime minister. Edith Cresson, a Socialist who has held the trade, agriculture, and European affairs portfolios, succeeds him; she is the 1st woman to serve as prime minister of France.

GERMANY

(See *Intl, NATO; US, Foreign Policy*)

INDIA

May 8—Army troops attack Sikh guerrillas in Rattal, a village south of Amritsar in Punjab state, after a clash between Sikhs and police in which at least 11 people were killed. This is the 1st confrontation between the army and Sikhs since the army's June 1984 siege of the Golden Temple in Amritsar.

May 20—India holds the 1st phase of its 10th national parliamentary elections; election-related violence in Bihar, West Bengal, and Uttar Pradesh states leaves at least 40 people dead and hundreds injured.

May 21—Former Prime Minister Rajiv Gandhi, the leader of the Congress party, is killed in a bomb explosion in Sriperumbudur, a city southwest of Madras; at least 14 others are also killed in the blast. The remaining 2 days of parliamentary elections are postponed until June 12 and 15.

May 23—Sonia Gandhi, Rajiv Gandhi's widow, declines a Congress party offer to become party president.

May 27—Law and Justice Minister Subramaniam Swamy says the government believes that Tamil separatists from Sri Lanka carried out the bombing that killed Gandhi.

The Hindu, a daily newspaper, releases photographs of a woman approaching Gandhi at the rally just before the explosion; she is believed to have detonated a bomb wrapped around her waist.

May 29—The Congress party elects former Foreign Minister P. V. Narasimha Rao party president.

IRAN

(See also *US, Political Scandal*)

May 27—In a speech in Isfahan, President Hashemi Rafsanjani says that Iran is interested in increasing economic and political cooperation with the West and in developing closer ties with its neighbors in the Persian Gulf.

IRAQ

(See *Intl, Persian Gulf Crisis, UN; US, Foreign Policy, Military*)

ISRAEL

(See also *Intl, UN; Ethiopia; Lebanon; US, Foreign Policy*)

May 10—Soviet Foreign Minister Aleksandr Bessmertnykh visits Israel, the 1st Soviet foreign minister to do so since Israel's independence in 1948; no significant agreements are reached on reopening diplomatic relations, which were severed in 1967.

May 20—Polish President Lech Walesa addresses the Knesset and apologizes for Poland's long history of anti-Semitism; Walesa is the 1st Polish leader to visit Israel.

JAPAN

May 25—Japanese officials say that negotiations in Beijing to establish diplomatic relations with North Korea have collapsed; North Korea refused to permit international inspection of its nuclear plants or to investigate the suspected kidnapping of a Japanese woman by North Korean agents in the 1970s.

KOREA, NORTH

(See also *Japan*)

May 28—The foreign ministry announces that North Korea will apply for membership in the UN, reversing its opposition to separate membership for North and South Korea, which it said would perpetuate the partition of Korea. The Soviet Union, long North Korea's ally, has recently indicated that it will no longer veto South Korea's application for UN membership.

KOREA, SOUTH

(See also *Korea, North*)

May 1—For a 3d day, students protest the fatal police beating of a student demonstrator on April 26; there are clashes between riot police and some 20,000 protesters; a 2d student sets fire to himself to protest police violence.

May 2—Demonstrations continue in Seoul, Pusan, Kwangju, and other cities; a student who set himself on fire on April 30 dies.

May 4—In central Seoul, about 10,000 protesters calling on President Roh Tae Woo to resign clash with police; about 60,000 anti-government protesters demonstrate throughout the rest of the country.

May 9—In cities throughout the country, as many as 400,000 demonstrators demand Roh's resignation.

May 10—In an effort to calm anti-government protests, Parliament eases South Korea's strictest national security law by reducing penalties for failing to report an unauthorized visit or a defection to North Korea.

A 5th anti-government protester sets himself on fire.

May 14—The funeral procession for the student beaten to death by police on April 26 turns violent after riot police try to block the procession; more than 60,000 students and workers protest police actions.

May 22—Prime Minister Ro Ja Borig, who has supported a hard line against violent dissent, resigns.

May 24—Roh names former Education Minister Chung Won Shik prime minister.

KUWAIT

(See also *Intl, Persian Gulf Crisis; US, Foreign Policy*)

May 27—The government extends martial law, including army authority to search and detain suspected collaborators with Iraq, for 1 month.

LEBANON

May 1—The Lebanese army takes control of the Shuf Mountains southeast of Beirut and Christian enclaves north and east of Beirut.

May 2—The Lebanese army removes barricades and opens the coastal road linking north and south Lebanon for the 1st time since 1975.

May 16—In Cairo, Farouk Kaddoumi, head of the Palestine Liberation Organization's (PLO's) political department, tells Lebanese Foreign Minister Fares Boueiz that PLO guerrillas in Lebanon will not disband or surrender their arms.

May 18—Two Israeli air force jets attack a Shiite Amal militia base in southern Lebanon, killing 4 people and injuring 15; yesterday a Shiite fundamentalist group allied with Amal, the Islamic Resistance Movement, claimed responsibility for 2 explosions that killed 4 people inside Israel's self-proclaimed security zone in southern Lebanon.

May 22—In Damascus, Lebanese President Elias Hrawi and Syrian President Hafez Assad sign a treaty of "brotherhood, cooperation, and coordination" that provides for the creation of joint governmental institutions in defense, the economy, and foreign policy; a higher council including the presidents and prime ministers of both countries will have the power to make binding policy decisions.

May 27—Parliament ratifies the treaty of "brotherhood" signed on May 22 by a vote of 46 to 21.

MOROCCO

(See *Intl, UN*)

NEPAL

May 14—Prime Minister Krishna Prasad Bhattarai resigns; King Birendra asks Bhattarai to remain as leader of a caretaker government until a new government is assembled.

May 18—Results of the national elections held May 12 give the Nepali Congress party (NCP) a slim majority over the Communist party; the NCP won 106 of the 205 seats in the House of Representatives and the Communist party 70 seats.

May 29—The leader of the NCP, Girija Prasad Koirala, becomes prime minister after being invited to form a government by King Birendra.

NETHERLANDS

(See *Intl, Persian Gulf Crisis*)

POLAND

(See also *Israel*)

May 17—Parliament rejects a law strongly supported by the Roman Catholic Church that would have banned abortions.

SAUDI ARABIA

(See *US, Foreign Policy*)

SOUTH AFRICA

- May 2—President F. W. de Klerk announces that he plans to abolish preventive detention and other repressive measures authorized by the 1982 Internal Security Act; de Klerk also suggests offering Cabinet seats to black leaders as a 1st step toward power-sharing during the transition to black majority rule.
- May 7—De Klerk meets in Johannesburg with Mangosuthu Gatsha Buthelezi, the leader of the Inkatha Freedom party; de Klerk asks that Zulu supporters lay down their traditional spears and other weapons to help curb black factional violence.
- May 9—After meeting with African National Congress (ANC) deputy president Nelson Mandela, de Klerk bans the carrying of traditional Zulu weapons, except spears, at public events in black townships experiencing unrest; Buthelezi has defended the carrying of such arms as an expression of Zulu identity.
- May 12—About 1,000 Zulus identified with Inkatha raid a squatter settlement in Kagiso, killing at least 27 people and injuring 30.
- May 13—A Johannesburg court finds Winnie Mandela, Nelson Mandela's wife, guilty of kidnapping 4 youths in Soweto in 1988 and of being an accessory to assault.
- May 14—Winnie Mandela is sentenced to 6 years in prison; she is free on bail pending an appeal.
- May 17—Two bombs explode in Johannesburg, injuring 12 people; 2 other bombs are found unexploded; no one claims responsibility for the bombs.
- May 22—The government adds spears to its list of banned traditional weapons.

SRI LANKA

(See *India*)

SURINAME

- May 26—Preliminary results from yesterday's national legislative elections show that 2/3 of the vote went to the New Front for Democracy and Democratic Alternative 91, political groups that favor closer ties with the Netherlands and an end to military rule.

SYRIA

(See *Lebanon; US, Foreign Policy*)

THAILAND

- May 3—Martial law is lifted after it was imposed in February when the military ousted the elected government of Prime Minister Chatichai Choonhavan.

TURKEY

(See *Intl, Persian Gulf Crisis*)

UNION OF SOVIET SOCIALIST REPUBLICS (USSR)

(See also *Intl, COCOM; Israel; Korea, North; US, Foreign Policy; Legislation*)

- May 6—The government transfers control of coal mines in Siberia to the Russian republic, satisfying one of the

demands of the striking coal miners; this is the 1st time the central government has transferred control of a major industry to a republic.

Boris Yeltsin, the president of the Russian republic, announces an agreement with KGB chief Vladimir Kruchkov to form a security and intelligence agency in the Russian republic that is independent of the KGB.

- May 15—In the 1st visit to the Soviet Union by a Chinese Communist party leader since 1957, General Secretary Jiang Zemin meets with Soviet President Mikhail Gorbachev.
- May 16—The government announces that 13 of the 15 Soviet republics have agreed on an emergency economic plan that calls for extensive privatization; Georgia and Estonia did not participate in the negotiations.
- May 17—An explosion damages the headquarters of Democratic Russia, the leading anti-Communist group in Moscow; no one is injured, but thousands of petitions supporting Yeltsin's candidacy for president of the Russian republic are destroyed.
- May 20—Parliament approves a law permitting Soviet citizens for the 1st time to travel abroad and emigrate freely; approved by a vote of 320 to 37 with 32 abstentions, the law will go into effect in January 1993.
- May 27—Results from polling yesterday show that Zviad Gamsakhurdia, president of the Georgian republic legislature, has won the republic's 1st direct presidential elections.

UNITED KINGDOM (UK)

Great Britain

(See *Intl, NATO, Persian Gulf Crisis; US, Foreign Policy*)

UNITED STATES (US)

Administration

- May 4—President George Bush is flown to Bethesda Naval Hospital after he experiences shortness of breath while jogging at Camp David, Maryland; doctors say he is suffering from a heart flutter.
- May 7—The medical team treating President Bush says that the irregularities in his heartbeat are caused by an overactive thyroid gland; the president was released from the hospital yesterday and resumed his normal schedule at the White House, wearing a heart monitor.
- May 8—President Bush announces the retirement of Central Intelligence Agency (CIA) director William Webster.
- May 9—President Bush's doctors say that his overactive thyroid condition is the result of Graves' disease, in which the immune system attacks the thyroid gland; treatment will involve doses of radioactive iodine solution and other medications.
- May 14—President Bush nominates deputy national security adviser Robert Gates as director of the CIA; Gates was nominated for the post in 1987 by President Ronald Reagan but withdrew his name after some senators criticized his actions during the Iran-contra affair.
- May 25—The Department of Health and Human Services reverses a policy it announced in January that would have allowed entry into the US of foreign nationals infected with the human immunodeficiency virus (HIV), which leads to AIDS (acquired immune deficiency syndrome).

Foreign Policy

(See also *Intl, Paris Club, Persian Gulf Crisis; Ethiopia*)

- May 7—After meeting in Kuwait City with the Kuwaiti Crown Prince and prime minister, Sheik Saad al-Abdullah al-Sabah, Defense Secretary Dick Cheney says that a combat brigade of 3,700 US soldiers will remain in Kuwait for several months.
- May 9—Returning from a trip to Saudi Arabia, and Kuwait and the 4 other Gulf states, Cheney tells reporters that he has reached an agreement with Gulf leaders to store US military equipment in their countries and to hold joint Arab-US military exercises.
- May 12—Syrian President Hafez Assad rejects a compromise plan for Middle East peace talks presented by Secretary of State James Baker 3d on Baker's 4th trip to the region since the end of the Persian Gulf war; Baker proposed that a regional peace conference be periodically reconvened to monitor progress in separate talks between Israel and Arab states and Israel and the Palestinians, and that the UN be granted "observer" status at such a conference.
- May 15—In Jerusalem, Israel rejects Baker's compromise proposals for Middle East peace talks.
- May 20—At a White House news conference with German Chancellor Helmut Kohl, President Bush says that the US opposes the lifting of UN trade sanctions against Iraq while Iraqi President Saddam Hussein remains in power.
- May 23—President Bush announces the appointment of General Colin Powell to a 2d 2-year term as chairman of the Joint Chiefs of Staff.
- May 27—In a commencement speech at Yale University, President Bush announces that he will extend China's "most favored nation" trading status for 1 year, effective

immediately.

- May 29—In a commencement speech at the US Air Force Academy, President Bush announces a proposal to ban poison gas, strictly limit biological weapons, and eventually eliminate nuclear and ballistic weapons from the Middle East; he proposes that the world's 5 largest arms suppliers—the US, the Soviet Union, China, France, and Britain—meet next month to begin formulating guidelines on sales of conventional arms.
- May 31—Defense Secretary Cheney says that the US is storing matériel in Israel for use in any future regional conflict; yesterday he announced that the US would give Israel 10 used F-15 fighter-bombers.

Labor and Industry

- May 3—Alaska governor Walter Hickel and the Exxon Corporation formally withdraw from a \$1.1-billion agreement reached last month to settle civil lawsuits arising from the 1989 *Exxon Valdez* oil spill; yesterday the Alaska House of Representatives voted to reject the agreement.
- May 20—The Securities and Exchange Commission approves the New York Stock Exchange's plan to hold 2 extended daily trading sessions beginning June 13; trading of individual stocks will be extended 1 hour, to 5 P.M., and "baskets" of at least 15 securities worth \$1 million or more may be traded until 5:15 P.M.

Legislation

- May 8—Voting 239 to 186, the House passes the Brady bill, which mandates a 7-day waiting period for handgun purchases during which police may run background checks on the purchaser.
- May 15—The Senate passes, by a vote of 70 to 28, a resolution calling on President Bush to approve an additional \$1.5 billion in loan guarantees for grain purchases by the Soviet Union.
- May 22—Voting 268 to 161, the House passes a \$291-billion defense budget authorization for 1992; the total authorized is similar to the amount requested by the Bush administration but the bill would end the B-2 Stealth bomber program and cut \$3.2 billion from the Strategic Defense Initiative; the bill would also allow female pilots to fly combat missions.
- May 23—Voting 231 to 192, the House defeats a resolution that would have canceled an automatic 2-year renewal on June 1 of the Bush administration's authority to negotiate trade agreements and to submit them to Congress with no amendments allowed; Congress would have to simply approve or reject a trade agreement submitted under this so-called fast-track authority.

Military

(See also *Intl, NATO*)

- May 19—*The New York Times* reports the results of 2 Army investigations into the February 25 Iraqi Scud missile attack during the Persian Gulf war that killed 28 US troops; the Army concluded that a computer failure rendered a Patriot anti-missile system's radar inoperative, so that a Patriot missile was never fired to intercept the Iraqi missile.

ECONOMIC INDICATORS May Reports

	Change from previous period	Total
Merchandise Trade Deficit	-\$1.45 billion	\$4.05 billion
March		
Smallest deficit since June 1983		
Consumer Price Index	+ 0.2%	135.2 points
April		
Annual rate of 2.5%		
Unemployment	- 0.2%	6.6%
April		(8.27 million)
Leading Economic Indicators	+ 0.7%	141 points
March		
Revised figures released May 1		
April	+ 0.6%	142.2 points
3rd monthly advance in a row		
Prime Rate	- 0.5%	8.5%
May 1		

Sources: Commerce and Labor Department reports; news reports.

Political Scandal

May 3—President Bush denies charges published in the April 15 *New York Times* that he may have been present at secret meetings in Paris in July and October 1980 between Ronald Reagan-George Bush presidential campaign officials and representatives of the Iranian government.

Supreme Court

May 13—The Court rules, 5 to 4, that people arrested without a warrant may be held for 48 hours while a judge determines whether there was probable cause for the arrest; many states already meet this standard.

May 20—In a 7-2 decision, the Court rules that states may under some circumstances limit the presentation at rape trials of evidence of previous sexual relations between an accuser and the accused.

May 23—The Court, in a 5-4 decision, upholds Department of Health and Human Services regulations that prohibit employees at the 4,500 federally funded family planning clinics from discussing abortion with patients as a possible family planning option.

May 28—The Court lets stand a 1990 federal appeals court ruling ordering prosecutors to re-examine witnesses who appeared at former marine Lieutenant Colonel Oliver North's criminal trial to determine if they were biased against him after hearing his testimony before Congress on the Iran-contra affair.

May 30—The Court rules, 6 to 3, that police officers who have probable cause to believe that a closed container in a motor vehicle holds drugs or other contraband may examine it without a warrant whether or not they have reason to search the vehicle.

WESTERN SAHARA

(See *Intl, UN*)

YUGOSLAVIA

May 3—Croatian and Serbian leaders give conflicting accounts of a firefight that began May 1 between Serbian villagers and Croatian police in Borovo Selo; more than a dozen people were killed in the fighting.

May 7—The Yugoslav army puts its forces on combat alert; the federal presidency ends a 2d day of talks to resolve continuing ethnic clashes between Croats and Serbs.

May 9—The members of the collective federal presidency agree to disarm ethnically based paramilitary units; the army will collect illegally owned weapons.

May 15—Borisav Jovic, the Serbian representative and outgoing leader of the collective federal presidency, votes against the installation of the Croatian representative, Stipe Mesic, as his successor; this leaves Yugoslavia without a head of state or commander of its armed forces.

May 19—In a referendum in Croatia, more than 94% of voters support Croatian independence.

May 29—Croatia declares itself an independent state. ■

JUNE 1991

INTERNATIONAL

Arms Control

(See *France; South Africa*)

Conference on Security and Cooperation in Europe (CSCE)

(See also *US, Foreign Policy*)

June 19—At a meeting of the 35-nation organization in Berlin, German Chancellor Helmut Kohl says that "all Western countries" must aid the Soviet Union and Eastern European countries in their transition to free-market economies.

Council for Mutual Economic Assistance (CMEA)

June 28—At a ceremony in Budapest, representatives of the 9 member countries—Bulgaria, Cuba, Czechoslovakia, Hungary, Mongolia, Poland, Romania, the Soviet Union, and Vietnam—sign an agreement formally dissolving the CMEA trading bloc, which was established by the Soviet Union in 1949.

European Community (EC)

(See *Poland; US, Foreign Policy; Yugoslavia*)

Group of Seven

June 23—After a meeting in London of the finance ministers of the world's 7 leading industrialized countries, US Treasury Secretary Nicholas Brady says that the group has agreed to offer the Soviet Union associate membership in

the International Monetary Fund (IMF); the Soviet Union would not be eligible for loans, but would receive technical assistance from the IMF.

International Atomic Energy Agency (IAEA)

(See *Intl, UN; Korea, North*)

International Bank for Reconstruction and Development (World Bank)

June 12—In Warsaw the bank announces that it will lend \$680 million to Poland.

International Monetary Fund (IMF)

(See *Intl, Group of Seven*)

North Atlantic Treaty Organization (NATO)

(See also *US, Foreign Policy*)

June 14—Meeting in Vienna, representatives of NATO and of the Warsaw Pact approve a US-Soviet compromise to end a dispute over the classification of 933 Soviet armored vehicles and other issues that had blocked US acceptance of the Conventional Forces in Europe arms-limitation treaty signed in Paris last November; the treaty will be sent to the US Senate for ratification.

Organization of Petroleum Exporting Countries (OPEC)

June 4—OPEC oil ministers elect Venezuela's minister of energy and mines, Celestino Armas, president of the organization.

Palestine Liberation Organization (PLO)(See *Israel*)**Persian Gulf Crisis**

June 1—The 7th and last Kurdish refugee camp in Turkey closes; according to figures released today by the US military, only 49,250 of the 450,000 Kurdish refugees who 6 weeks ago were living in camps near the Turkish-Iraqi border remain there.

June 4—The US Defense Department issues the 1st official figures on Iraqi military casualties in the Persian Gulf war, estimating that 100,000 Iraqi troops were killed, 300,000 were wounded, and 150,000 deserted; it says that the error factor for its figures is "50% or higher."

United Nations (UN)(See also *Morocco*; *Yugoslavia*)

June 16—In Florence, Italy, some 8,000 scientists and other participants gather for the Seventh International Meeting on AIDS (acquired immune deficiency syndrome), cosponsored by the World Health Organization (WHO) and the International AIDS Society; WHO has estimated that 10 million people worldwide have been infected with the human immunodeficiency virus (HIV), which causes AIDS; it predicts that 40 million people will carry the virus by the year 2000 and that a growing proportion of those cases will occur in Africa and Asia.

June 28—Iraqi soldiers at a military compound in Fallujah deny entrance to inspectors led by David Kay of the International Atomic Energy Agency (IAEA) and then fire over inspectors' heads as they are photographing a truck convoy suspected of transporting calutrons, devices used to produce enriched uranium. A similar incident occurred at the Abu Gharib army barracks north of Baghdad on June 23.

The Security Council unanimously orders Iraq to allow UN weapons inspectors to examine suspicious equipment immediately and warns of possible "serious consequences" for Iraq's "flagrant violations" of the Persian Gulf cease-fire.

Iraq's Information Ministry reports that President Saddam Hussein has ordered Iraqi officials to provide free access to UN inspectors searching for nuclear materials.

Warsaw Treaty Organization (Warsaw Pact)(See *Intl*, *NATO*)**ALBANIA**(See also *US*, *Foreign Policy*)

June 4—The Communist government of Prime Minister Fatos Nano resigns.

June 5—President Ramiz Alia appoints economist Ylli Bufi prime minister; he will lead a nonpartisan caretaker government until elections are held.

June 12—Parliament approves a "government of national salvation"; Bufi is retained as prime minister in Albania's 1st non-Communist Cabinet since 1945.

Albania's Communist party, the Party of Labor, changes its name to the Socialist party.

ALGERIA

June 4—At least 7 people are reported killed after police open

fire on a protest by supporters of the fundamentalist Islamic Salvation Front (FIS); FIS supporters are demanding that direct presidential elections be held at the same time as Algeria's 1st parliamentary elections, which are scheduled for June 27.

June 5—The army is ordered into Algiers to restore order after 12 days of demonstrations. President Chadli Benjedid dismisses the government of Prime Minister Mouloud Hamrouche, declares a state of emergency, and postpones parliamentary elections; former Foreign Minister Sid Ahmed Ghozali is named prime minister.

June 7—FIS leaders agree to end their protests if Benjedid promises to hold presidential elections within 6 months; Ghozali says that the elections will be held.

June 18—Ghozali selects a new Cabinet and creates a ministry of human rights.

June 25—Defying emergency regulations banning protests, FIS supporters clash with security forces in Algiers and 3 other towns after police try to remove Islamic signs on several government buildings; 34 people are wounded.

ANGOLA(See *US*, *Legislation*)**BANGLADESH**

June 12—After a 4-month trial before a special court, General H. M. Ershad is sentenced to 10 years in prison for illegal weapons possession; Ershad, who resigned as president in December, says the weapons found at his house were gifts from foreign governments.

BULGARIA(See *Intl*, *CMEA*; *US*, *Administration*)**CAMBODIA**

June 24—The government and the 3 guerrilla factions battling it agree to stop receiving weapons imports and to formalize the cease-fire they finished negotiating yesterday.

CHILE(See *US*, *Foreign Policy*)**CHINA**

June 3—The official New China News Agency reports that Jiang Qing, the widow of Chairman Mao Zedong, committed suicide on May 14; in 1980 she was sentenced to life in prison for her role as leader of the Gang of Four, which imposed radical political policies from the early 1970s until Mao's death in 1976.

June 4—Despite threats of arrest and a large police presence, about 2 dozen students at Beijing University peacefully mark the 2d anniversary of the Tiananmen Square massacre.

COLOMBIA

June 19—Pablo Escobar Gaviria, the leader of the Medellín cocaine cartel, surrenders to Colombian authorities after the assembly revising the Colombian constitution bans the extradition of citizens wanted abroad for crimes; Escobar is wanted in the US on 10 counts of drug trafficking and murder.

CUBA

(See *Intl, CMEA*)

CZECHOSLOVAKIA

(See also *Intl, CMEA; US, Administration*)

June 25—Lieutenant General Rudolf Duchacek of the Czechoslovak army and Lieutenant General Eduard Vorobyov, commander of Soviet troops in Czechoslovakia, sign a protocol in Prague formally ending the Soviet occupation of the country.

ETHIOPIA

June 1—Meles Zanawi, the leader of the Ethiopian People's Revolutionary Democratic Front, says that his interim government will promote free enterprise and a peaceful transition to democracy.

FRANCE

June 3—President François Mitterrand announces that France will sign the 1968 Nuclear Nonproliferation Treaty.

GERMANY

(See also *Intl, CSCE; Poland*)

June 20—By a vote of 337 to 320, Parliament agrees to move the seat of the federal government from Bonn, where it has been since 1949, to Berlin, Germany's historic capital.

HUNGARY

(See *Intl, CMEA*)

INDIA

June 15—In Punjab state, Sikh gunmen kill 78 passengers in attacks on 2 trains.

June 17—Results of the final 2 days of voting for the national parliament, held June 12 and 15, show that the Congress party won about 240 of the 511 seats contested, falling short of a majority; the Bharatiya Janata party won 125 seats; Congress will form a minority government.

June 20—The Congress party chooses its president, P. V. Narasimha Rao, as prime minister.

June 21—Rao announces a 14-member Cabinet that includes 5 supporters of Rajiv Gandhi, the Congress party leader and former prime minister who was assassinated on May 21.

IRAQ

(See also *Intl, Persian Gulf Crisis, UN*)

June 29—Kurdish leaders reject an autonomy deal offered by the government and ask for the renegotiation of several points, including the government's demands that it control Kirkuk and that the ruling Baath party remain "predominant."

ISRAEL

(See also *Lebanon*)

June 21—Kamel Tabanja, an Arab from the occupied West Bank town of Ramallah, announces the formation of the Palestinian National party; this is the 1st Palestinian political party not affiliated with the Palestine Liberation Organization (PLO); Tabanja says that his party supports the establishment of a Palestinian state on the West Bank

and Gaza Strip and favors only nonviolent opposition to Israeli occupation of the territories.

JAPAN

June 20—*The New York Times* reports that the Nomura Securities Company, the world's largest securities house, paid investors to compensate them for their losses in the 1989 stock market crash; Nomura had allegedly given the investors guarantees that they would not suffer financially if they bought their stocks through Nomura; Nomura denies the charges.

June 21—Nomura officials admit that the company improperly paid some of its biggest clients about \$122 million in compensation for their losses.

JORDAN

June 9—King Hussein and political leaders sign a charter to restore multiparty democracy; political parties were banned 34 years ago.

June 18—Senior officials report that the king has dismissed the Cabinet and asked Foreign Minister Taher Masri to form a new government; Masri, the 1st Palestinian in 20 years to be named prime minister, favors a negotiated settlement with Israel.

KOREA, NORTH

June 8—The International Atomic Energy Agency reports that North Korea has said it will allow international inspection of its nuclear installations, including the Yongbyon plant, which the US suspects may be used to produce nuclear weapons.

June 24—In Panmunjom, South Korea, US Senator Robert Smith (R-N.H.) announces that the US and North Korea have agreed on a procedure for the return of the remains of US troops listed as missing in action during the Korean War; North Korea releases the remains of 11 of the more than 8,000 troops still missing.

KOREA, SOUTH

(See also *Korea, North*)

June 1—In Seoul and Pusan, tens of thousands of demonstrators demand the resignation of President Roh Tae Woo and the withdrawal of US troops from South Korea.

KUWAIT

June 2—The emir, Sheik Jaber al-Ahmed al-Sabah, says that parliamentary elections will be held in October 1992.

June 3—Approximately 1,000 Kuwaitis stage the 1st public protest since the end of the Persian Gulf war; they call for more rapid democratization and an end to martial law.

June 26—Martial law expires.

The trials of suspected collaborators with Iraqi occupation forces end; the prime minister, Crown Prince Saad al-Abdullah al-Sabah, commutes the death sentences imposed on 29 people convicted during the trials to life in prison.

LIBERIA

June 30—Charles Taylor, leader of the National Patriotic Front, and Amos Sawyer, the interim president, agree to enforce a cease-fire in Liberia's civil war; Liberia has been

partitioned into 2 zones: the capital, Monrovia, ruled by Sawyer, and the rest of the country, under Taylor's control.

LEBANON

June 3—Israeli air force jets stage a 2d day of attacks on Palestinian and Lebanese guerrilla bases east of Sidon in southern Lebanon; in today's raid 7 people are killed and 36 injured.

MONGOLIA

(See *Intl, CMEA; US, Administration*)

MOROCCO

June 29—UN officials in Geneva announce that Morocco and Polisario Front guerrillas have accepted a September 6 date for a permanent cease-fire that will end their 15-year conflict over the territory of Western Sahara.

PHILIPPINES

June 15—The government orders the evacuation of thousands of people within 25 miles of Mount Pinatubo after a week of earthquakes and the spewing of ash from the long-dormant volcano; US forces evacuate Clark Air Base, which is 10 miles east of the volcano.

June 16—The US Defense Department orders the evacuation to the US of 20,000 American military personnel, their families, and civilian employees from Clark Air Base and the Subic Bay Naval Station; Clark Air Base, which has been buried under a layer of volcanic ash from 6 to 12 inches deep, is considered unusable.

June 21—The last group of US military personnel and dependents leaves the Philippines.

POLAND

(See also *Intl, CMEA, World Bank*)

June 11—President Lech Walesa asks Parliament to change the constitution to allow the Cabinet to reform economic laws by decree for 1 year; Parliament has failed to pass more than 24 pieces of economic reform legislation pending since January.

June 17—Polish Prime Minister Jan Krzysztof Bielecki and German Chancellor Helmut Kohl sign a treaty of friendship and cooperation in Bonn; the treaty commits Germany to helping Poland gain membership in the EC.

June 27—The government announces plans to privatize 25% of state-owned industry within 6 months and to give every adult citizen a share.

ROMANIA

(See *Intl, CMEA*)

SOUTH AFRICA

June 5—Parliament repeals the Land Acts of 1913 and 1936, which reserved 87% of South Africa's land for whites, and the Group Areas Act, which restricted where people could live according to their race; the repeal takes effect June 30.

June 17—Parliament repeals the 1950 Population Registration Act, which classified all South Africans at birth by race; this is the remaining law of those that formed the legal foundation for apartheid.

June 21—Parliament votes to end preventive detention, to

limit detention for interrogation, and to repeal some provisions of the 1982 Internal Security Act, including those allowing house arrest and the banning of individuals.

June 27—South African Foreign Minister Roelof Botha announces that South Africa will sign the 1968 Nuclear Nonproliferation Treaty; Botha confirms that South Africa has the "capacity" to develop a nuclear bomb but denies that it has ever tested one.

SRI LANKA

June 13—Villagers report that government troops killed more than 150 Tamils near Batticaloa after 3 soldiers were killed in a land mine explosion yesterday; the army is predominantly Sinhalese.

June 21—Military officials say that a bomb attack at the army command center in Colombo killed as many as 60 people, including 20 civilians; they blame Tamil guerrillas for the attack.

TURKEY

(See *Intl, Persian Gulf Crisis*)

UNION OF SOVIET SOCIALIST REPUBLICS (USSR)

(See also *Intl, CSCE, CMEA, Group of Seven, NATO; Czechoslovakia; US, Administration, Foreign Policy*)

June 5—Delivering his Nobel Peace Prize lecture in Oslo, President Mikhail Gorbachev, the 1990 recipient of the prize, says "if perestroika fails, the prospect of entering a new peaceful period . . . will vanish, at least for the foreseeable future."

June 13—Boris Yeltsin wins the election for president of the Russian republic, held yesterday, with about 60% of the vote; he becomes Russia's 1st popularly elected president.

June 26—Soviet troops claiming to have found prohibited weapons raid Lithuania's telephone center in Vilnius, cutting off all communications; the troops depart after 2 hours.

June 28—240 delegates at a Tatar congress in Simferopol declare sovereignty over Crimea (now under the jurisdiction of the Ukrainian republic) and establish a 41-member governing body; Tatars were deported from the region, which they consider their homeland, by Josef Stalin in 1944.

UNITED KINGDOM (UK)

Great Britain

June 4—Defense Secretary Tom King says the British army will be reduced more than 20% by the mid-1990s in an attempt to cut defense costs; the all-volunteer army currently numbers about 150,000 soldiers.

UNITED STATES (US)

Administration

(See also *Intl, Group of Seven*)

June 3—President George Bush grants the Soviet Union, Bulgaria, Czechoslovakia, and Mongolia a waiver of a provision of the 1974 Jackson-Vanik amendment that requires that countries receiving US trade concessions allow free emigration; the Soviet Union may now obtain the \$1.5 billion in US agricultural loan guarantees.

June 26—In an appearance before the Senate Banking

Committee, Treasury Secretary Nicholas Brady formally requests \$80 billion to finance the savings and loan industry bailout into 1992.

ECONOMIC INDICATORS June Reports

	Change from previous period	Total
Gross National Product	-2.8%	\$4.12 trillion
Revised annual rate for 1st quarter 1991		
2d consecutive monthly decline		
Merchandise Trade Deficit	+4.5%	\$4.8 billion
April		
Consumer Price Index	+0.3%	135.6 points
May		
Leading Economic Indicators	+0.8%	143.1 points
May		
Unemployment	+0.3%	6.9%
May		(8.64 million)

Sources: Commerce and Labor Department reports; news reports.

Foreign Policy

(See also *Intl*, NATO; Colombia; Korea, North)

June 20—Boris Yeltsin, president of the Russian republic, meets with President Bush at the White House.

June 21—In Belgrade, Secretary of State James Baker 3d tells Yugoslav President Ante Markovic that he should consider granting limited autonomy to Yugoslavia's republics. Baker meets individually with the leaders of the 6 republics, telling the presidents of Slovenia and Croatia that the US and the EC will not recognize their states or provide them with economic assistance if they break away from Yugoslavia.

June 22—In Tirana's main square, 300,000 Albanians greet Baker, the 1st US official to visit Albania; Baker promises \$6 million in powdered milk and medical aid.

June 26—Treasury officials announce that the US will sign an accord tomorrow forgiving \$16 million in Chilean debt; this is the 1st debt reduction under the Bush administration's Enterprise for the Americas Initiative.

Legislation

June 5—The House of Representatives passes, 273 to 158, a civil rights bill more favorable to job discrimination plaintiffs and less favorable to the employers charged than the administration's bill; the House bill allows compensatory and limited punitive damages, and prohibits "race-norming," or the upward adjustment of test scores for minorities.

June 11—The House votes to provide \$20 million in nonmilitary aid to the National Union for the Total Independence of Angola (UNITA); UNITA's 16-year civil war against the Angolan government ended after an accord was signed by the government and UNITA in May.

June 28—Voting 67 to 32, the Senate approves a compromise version of the Brady bill, passed on May 8 by the House, that would establish a 5-day waiting period for handgun purchases and would impose penalties on states for not checking whether potential purchasers have criminal records.

Military

(See also *Intl*, Persian Gulf Crisis; Philippines)

June 14—In US district court in Alexandria, Virginia, Melvyn Paisley, an assistant secretary of the Navy from 1981 to 1987, pleads guilty to conspiracy and bribery charges resulting from a 4-year investigation into the selling of Pentagon information to military contractors; 41 individuals and 5 corporations have so far pleaded guilty in the case.

Politics

June 20—House Majority Whip William Gray 3d (D-Pa.) resigns to become president of the United Negro College Fund.

Science and Technology

June 5—The space shuttle *Columbia* lifts off from Cape Canaveral, Florida, on a 9-day mission; the 7-member crew will examine the effects of weightlessness on people, rats, and jellyfish.

Supreme Court

June 13—Overturning a decision by a US appeals court in St. Louis, the Court rules, 8 to 1, that Chapter 11 of the federal Bankruptcy Code, which allows corporations to reorganize while continuing to operate, also applies to individual debtors.

June 17—In a 5-4 decision, the Court rules that poor conditions in prisons do not violate the 8th Amendment's prohibition against cruel and unusual punishment unless prison administrators have acted with "deliberate indifference" to fundamental needs.

June 20—In two 6-3 decisions on lawsuits brought by black and Hispanic voters in Texas and Louisiana courts, the Court says that the Federal Voting Rights Act applies to elections for judges.

June 21—Upholding an Indiana public-indecency law, the Court rules, 5 to 4, that states may ban nude erotic dancing; the Court says that incidental limitation of the First Amendment right to free expression is justified in the interest of "preserving order and morality."

June 24—In a 6-3 decision, the Court rules that inmates in state prisons who fail to meet state courts' procedural requirements forfeit in almost all cases the right to file in US court a petition for a writ of habeas corpus challenging the constitutionality of their conviction or sentence; the decision overturns a 1963 Supreme Court ruling.

June 27—Justice Thurgood Marshall, who joined the Court in 1967, announces that he will retire after his successor is confirmed by the Senate; Marshall is the only African-American to have served on the Supreme Court.

In a 6-3 decision overturning its rulings in a 1987 and a 1989 case, the Court says that in the sentencing phase of a capital trial, withholding evidence about a murder victim's character and the effect of the killing on the

victim's family "unfairly weighted the scales" in favor of the defendant.

The Court upholds, 5 to 4, a Michigan law imposing a mandatory sentence of life in prison without parole for certain nonviolent first offenses, including possession of a large amount of cocaine.

The Court ends its 1990-1991 term.

VENEZUELA

(See *Intl, OPEC*)

VIETNAM

(See also *Intl, CMEA*)

June 24—At the opening of the Vietnamese Communist party's party congress, Secretary General Nguyen Van Linh says the party does not intend to relinquish its monopoly on power but will continue to liberalize the economy; Linh says he will retire at the end of the congress.

June 27—The Communist party elects Do Muoi its new secretary general; in his 1st news conference as party leader he says he will continue economic reforms and asks for international assistance to develop Vietnam's economy; Nguyen Co Thach retires as foreign minister; his successor is not named.

WESTERN SAHARA

(See *Morocco*)

YUGOSLAVIA

(See also *US, Foreign Policy*)

June 25—The Slovenian and Croatian republic parliaments pass declarations of independence that will lead to their secession from Yugoslavia if their demands for a looser federation of the republics are not satisfied; the leaders of both Slovenia and Croatia say that they are still willing to negotiate. The federal Parliament in Belgrade asks the army to intervene to prevent the secessions.

June 26—Federal army units in Slovenia fail to oust republican militia occupying key border positions.

June 27—Slovenian Defense Minister Janez Jansa says, "Slovenia is at war"; he reports that federal army troops and Slovenian militia have clashed in at least 20 locations and that more than 100 people have been killed or injured.

June 28—After several hours of federal army attacks on military and civilian targets in Slovenia, federal Prime Minister Ante Markovic declares a cease-fire; the cease-fire is later accepted by Milan Kucan, Slovenia's president, effective immediately. Kucan asks the UN Security Council to discuss the situation.

June 29—Under an accord negotiated with 3 EC foreign ministers, Slovenia and Croatia agree to suspend their declarations of independence for 3 months and Slovenia agrees to allow Stipe Mesic to assume the federal presidency, in exchange for the withdrawal of federal troops.

Fighting continues in Slovenia. ■

JULY 1991

INTERNATIONAL

Arms Control

(See *US, Foreign Policy*)

European Community (EC)

(See also *Yugoslavia*)

July 19—At the Hague, EC leaders and Japanese Prime Minister Toshiki Kaifu sign an accord on political and trade cooperation promising "equitable access" to each other's markets.

Group of Seven

July 17—In London, Soviet President Mikhail Gorbachev meets with the heads of state of the world's 7 major industrial countries—Britain, Canada, France, Germany, Italy, Japan, and the US—to discuss Gorbachev's plans for future reform in the Soviet Union. At a press conference with Gorbachev afterward, British Prime Minister John Major announces a 6-point proposal that offers the Soviet Union limited membership in the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) and technical assistance.

Ibero-American Summit Conference

July 18—In Guadalajara, Mexico, leaders from 21 Spanish- and Portuguese-speaking countries hold their 1st summit; Cuban President Fidel Castro says that the US

and other powers "have brought poverty" to Latin America; he asks members of the group for economic aid.

July 20—At the conference, Colombia, Mexico, and Venezuela announce an agreement to create a free-trade zone by January 1992.

International Bank for Reconstruction and Development (World Bank)

(See *Intl, Group of Seven*)

International Monetary Fund (IMF)

(See *Intl, Group of Seven*)

International Olympic Committee

July 9—The International Olympic Committee lifts its 21-year ban on South African participation in the Olympic Games in recognition of the South African government's efforts to end apartheid.

Palestine Liberation Organization

(See *Israel; Lebanon*)

United Nations (UN)

(See also *Cambodia; Iraq*)

July 2—North Korea applies for full UN membership.

July 12—The Security Council unanimously orders Iraq to comply by July 25 with terms of the Persian Gulf war

cease-fire agreement requiring full disclosure of Iraqi nuclear, chemical, biological, and ballistic weapons sites, programs, and material.

July 17—After 10 days of inspections, UN investigators conclude that Iraqi plants had produced no weapons-grade uranium before being largely demolished by coalition bombing during the Persian Gulf war.

July 18—Jaafar Dhia Jaafar, deputy chairman of the Iraqi Atomic Energy Commission, certifies to the UN that Iraq has revealed all its nuclear activities and sites.

July 30—Rolf Ekeus, the head of the UN commission overseeing the destruction of Iraq's nonconventional and ballistic weapons capabilities, reports to the Security Council that his inspectors have found more than 4 times the number of chemical shells and warheads and the amount of raw material for chemical arms that Iraq had declared it held April 18.

Warsaw Treaty Organization (Warsaw Pact)

July 1—Soviet Vice President Gennadi Yanayev signs an agreement with the leaders of Bulgaria, Czechoslovakia, Hungary, Poland, and Romania to formally end military cooperation between their countries; the six parliaments must ratify the agreement, after which the Warsaw Pact, established by the Soviet Union in 1955, will cease to exist.

ABU DHABI

(See *US, Labor and Industry*)

ALGERIA

July 1—Reuters reports that security forces responding to violent fundamentalist protests moved tanks into Algiers yesterday and arrested Abassi Madani, the leader of the Islamic Salvation Front (FIS); Madani had threatened a holy war unless President Chadli Benjedid lifted the state of siege imposed on June 5.

The military charges Madani and his deputy, Ali Belhadj, with "armed conspiracy against the state."

July 16—The army announces that tomorrow it will lift the curfew imposed in much of Algeria in early June.

BULGARIA

(See *Intl, Warsaw Pact*)

CAMBODIA

July 17—After 2 days of talks in Beijing, the four factions battling for control of Cambodia agree to share a seat at the UN now held by the Khmer Rouge. Prince Norodom Sihanouk, who will lead the UN delegation, is unanimously elected president of the Supreme National Council, which will act as Cambodia's transitional government.

CANADA

(See *Intl, Group of Seven*)

CHINA

(See *UK, Hong Kong; US, Legislation*)

COLOMBIA

(See also *Intl, Ibero-American Summit Conference*)

July 3—The Medellín cocaine cartel says it is ending its

terrorist campaign against the government and "dismantling its military organization" because of the new ban on extraditing to the US those accused of drug-related offenses.

CUBA

(See *Intl, Ibero-American Summit Conference*)

CYPRUS

(See *US, Foreign Policy*)

CZECHOSLOVAKIA

(See *Intl, Warsaw Pact*)

EGYPT

(See *US, Foreign Policy*)

ETHIOPIA

July 3—Delegates from the 3 guerrilla groups that overthrew the government of Mengistu Haile Mariam in May agree on the structure of an interim government at a meeting in Addis Ababa.

July 4—The delegates agree to grant Eritrea the right to hold an internationally supervised referendum on independence.

FRANCE

(See *Intl, Group of Seven; Iraq; UK, Great Britain; US, Foreign Policy*)

GERMANY

(See *Intl, Group of Seven*)

GREECE

(See *US, Foreign Policy*)

HAITI

July 30—At the end of a 21-hour trial, Roger Lafontant, the former leader of the Tontons Macoute paramilitary force, is convicted of trying to overthrow the government in January and is sentenced to life in prison.

HUNGARY

(See *Intl, Warsaw Pact*)

IRAQ

(See also *Intl, UN; US, Foreign Policy*)

July 11—Under pressure from the UN, Iraqi forces withdraw from marshlands in southern Iraq, allowing several thousand Shiite Muslim refugees hiding there to return to their homes.

July 12—The US Defense Department announces in Washington, D.C., that the remaining 3,300 Western coalition troops in northern Iraq will withdraw by July 15; a rapid deployment force of 2,500 troops from the US, Britain, France, Italy, the Netherlands, and Turkey will be stationed in Silopi, Turkey, to protect Kurds in northern Iraq.

July 19—Massoud Barzani, leader of the Kurdistan Democratic party, says that more than 100 people have been killed or injured in a clash between Kurdish guerrillas and Iraqi troops in northern Iraq.

Kurdish and Iraqi officials agree to end the fighting.

ISRAEL(See also *US, Foreign Policy*)

July 18—Judge Ezra Kama announces the results of a 9-month investigation of a clash between Palestinians and police at the al-Aksa mosque in Jerusalem last October; he says the police, not the Palestinians, were the provocateurs; police killed at least 17 Palestinians who were protesting an attempt by Jewish radicals to lay a cornerstone for the Third Temple at the mosque site on the Temple Mount.

July 24—Prime Minister Yitzhak Shamir says that Israel will not attend a US-arranged peace conference if Palestinians from East Jerusalem or with any connection to the Palestine Liberation Organization (PLO) attend.

ITALY(See *Intl, Group of Seven; Iraq*)**JAPAN**(See also *Intl, EC, Group of Seven*)

July 8—Finance Minister Ryutaro Hashimoto announces sanctions against Nomura and 3 other securities firms for improperly compensating some of their clients for stock market losses; the firms must “restrain” trading on behalf of their largest customers for 4 days.

July 9—The 4 securities houses say their payments to investors totaled nearly \$863 million, almost 3 times the amount previously reported.

JORDAN(See also *US, Foreign Policy*)

July 7—King Hussein orders the end of most provisions of martial law, which was imposed after the 1967 Arab-Israeli war.

KOREA, NORTH(See *Intl, UN*)**KOREA, SOUTH**(See *US, Foreign Policy*)**LEBANON**(See also *US, Foreign Policy*)

July 1—Army units and Palestinian guerrillas clash east of Sidon; the Palestinians are refusing to meet the government's July 1 deadline for relinquishing control of the area.

July 2—The government says it has routed Palestinian guerrillas in southern Lebanon and reestablished government control in and around Sidon.

July 5—Reports in Beirut newspapers say that Al Fatah, the main branch of the PLO, will ship its heavy artillery out of the country after giving up its last bases in southern Lebanon today, and that the Popular Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine will relocate their bases to Lebanon's Bekaa Valley; the Lebanese government asks the PLO to withdraw several thousand guerrillas from Palestinian refugee camps in the south.

July 7—At a village near Sidon, the Lebanese army disarms the Fatah Revolutionary Council, a radical Palestinian faction led by Abu Nidal.

LUXEMBOURG(See *US, Labor and Industry*)**MADAGASCAR**

July 28—After 7 weeks of pro-democracy protests, President Didier Ratsiraka says he will dissolve the Cabinet and begin talks with members of the political opposition; he offers to hold a referendum on a new constitution by the end of the year.

July 30—The government releases Albert Zafy, an opposition politician who has proclaimed himself prime minister, from a week in custody; more than 100,000 people gather to greet him in the main square in Antananarivo, the capital.

Ratsiraka rejects demonstrators' demands that he resign; he offers to form a coalition government with opposition leaders.

MAURITANIA

July 26—In accordance with an agreement to create multiparty democracy by the end of the year, the government legalizes opposition political parties (except for Islamic political parties) and grants press freedom.

MEXICO(See *Intl, Ibero-American Summit Conference; USSR*)**NAMIBIA**(See *South Africa*)**NETHERLANDS**(See *Iraq*)**PAKISTAN**

July 5—The state government of Kashmir dismisses its prime minister, Mumtaz Hussain Rathore; the national government announces his arrest on charges that he “committed illegal and unconstitutional acts.” Rathore said he had annulled the results of elections held in June and ordered new elections to be held in September because the government of Prime Minister Nawaz Sharif had rigged the elections to defeat his party.

July 6—Sardar Mohammed Ashraf is sworn in as prime minister of Kashmir.

PHILIPPINES(See *US, Foreign Policy*)**POLAND**(See *Intl, Warsaw Pact*)**ROMANIA**(See *Intl, Warsaw Pact*)**SAUDI ARABIA**(See *US, Foreign Policy*)**SOUTH AFRICA**(See also *Intl, International Olympic Committee; US, Foreign Policy*)

July 2—For the 1st time in 30 years, the African National

Congress (ANC) convenes a full conference in South Africa; at the meeting, held in Durban, ANC deputy president Nelson Mandela advises against lifting economic sanctions against South Africa.

- July 4—Oliver Tambo, the ANC's president, is appointed to the newly created post of national chairman of the ANC.
- July 5—The ANC elects a new senior leadership, including Nelson Mandela as president, Cyril Ramaphosa as secretary general, and Walter Sisulu as deputy president.
- July 16—Winnie Mandela, the wife of Nelson Mandela, wins permission to appeal her conviction in May on kidnapping and assault charges.
- July 19—The government admits it secretly paid for 2 political rallies held in 1989 and 1990 by the Inkatha Freedom party; President F. W. de Klerk says the channeling of funds to Inkatha was cut off in March 1990.
- July 21—Foreign Minister Roelof Botha takes responsibility for the payments for Inkatha rallies, which totaled nearly \$100,000; Botha discloses that the government made other payments to Inkatha and an Inkatha-sponsored labor union, the United Workers Union; Inkatha leader Mangosuthu Gatsha Buthelezi denies any knowledge of covert government funds deposited in Inkatha's bank accounts.

At the annual congress of the Inkatha Freedom party, held in Ulundi, Buthelezi is reelected party president.

- July 25—Botha admits that the government gave more than \$35 million to 7 political parties in Namibia before its independence in 1990 in order to undermine electoral support for the South-West Africa People's Organization (SWAPO).
- July 26—Law and Order Minister Adriaan Vlok admits that the government secretly paid the United Workers Union about \$525,000 over 6 years.
- July 29—De Klerk demotes Vlok and Defense Minister Magnus Malan to civilian portfolios, effective August 30.

SPAIN

(See *UK, Great Britain*)

SRI LANKA

- July 19—The government reports that more than 600 Tamil rebels and 78 government troops have been killed in 9 days of fighting for control of the area surrounding the Elephant Pass military base in northern Sri Lanka.

SWITZERLAND

(See *UK, Great Britain*)

SYRIA

(See *US, Foreign Policy*)

TURKEY

(See *Iraq; US, Foreign Policy*)

UNION OF SOVIET SOCIALIST REPUBLICS (USSR)

(See also *Intl, Group of Seven, Warsaw Pact; US, Foreign Policy*)

- July 1—Former Foreign Minister Eduard Shevardnadze and other prominent citizens including Aleksandr Yakovlev, an economic adviser to President Mikhail Gorbachev, and the mayors of Moscow and Leningrad announce the

formation of a new political party, the Movement of Democratic Reforms.

Workers in the Russian republic register for unemployment benefits under the 1st such program in the Soviet Union.

The Congress of People's Deputies approves, 303 to 14, a law permitting individuals, including foreigners, to buy industrial enterprises.

- July 4—In Moscow, Gorbachev and Mexican President Carlos Salinas de Gortari sign an agreement on economic cooperation.

In his letter of resignation from the Communist party published today by the Interfax news agency, Shevardnadze accuses the party of carrying out witch hunts against members who dissent from party doctrine.

- July 10—Boris Yeltsin is sworn in as president of the Russian republic.
- July 20—Yeltsin issues a decree that effectively bans Communist party organizations from operating in workplaces or republic government offices, and bars party cells in republic KGB, police, and military organizations.
- July 24—After meeting with representatives of the Soviet republics, Gorbachev announces that 9 of the 15 republics have agreed to a draft union treaty that decentralizes power but leaves unresolved the issue of tax sharing.
- July 26—The Central Committee of the Communist party agrees to a revised party charter Gorbachev proposed yesterday; the charter supports free-market economic reforms, recognizes freedom of religion, and dilutes reliance on Marxist-Leninist ideology; Gorbachev has asked for a full party congress in November to vote on the proposal.
- July 30—Yeltsin turns down Gorbachev's invitation to join him in a meeting with US President George Bush; Nursultan Nazarbayev, the president of Kazakhstan and the only other republic president to be invited, accepts. Yeltsin later meets with the US president privately.
- July 31—In Medininkai, Lithuania, unidentified assailants attack a customs post near the border, killing 6 Lithuanian border guards and injuring 2; the Soviet government has declared the customs posts illegal.

UNITED KINGDOM (UK)

Great Britain

(See also *Intl, Group of Seven; Iraq; UK, Hong Kong*)

- July 5—Robin Leigh-Pemberton, the governor of the Bank of England, announces that financial regulators in Britain, Luxembourg, the Cayman Islands, Spain, Switzerland, France, and the US have seized control of most of the assets of the Bank of Credit and Commerce International (BCCI) because of extensive fraud; the bank, the majority of whose stock is owned by the ruling family and other officials of Abu Dhabi, is headquartered in London; in 1990 bank officials were convicted of money laundering in the US.

Hong Kong

- July 4—After an 18-month-long dispute, China and Great Britain announce agreement on a plan to build a new, \$16-billion airport complex in Hong Kong. Britain agrees to consult with China on all major related decisions and to guarantee that Hong Kong will have at least \$3.2 billion in

reserves when the territory is returned to China in 1997; China will be allowed to approve any loans exceeding \$641 million taken out by the present Hong Kong government that are to be repaid after 1997.

UNITED STATES (US)

Administration

(See also *US, Labor and Industry*)

July 1—President George Bush nominates Clarence Thomas, a conservative judge on the Court of Appeals for the District of Columbia, to replace retiring Supreme Court Justice Thurgood Marshall.

July 10—President Bush announces that he will nominate Alan Greenspan to a second 4-year term as Federal Reserve Board chairman.

July 15—Commerce Secretary Robert Mosbacher announces that he will not adjust 1990 census figures; the Census Bureau has determined that it missed counting about 5 million people.

July 30—In US district court in Washington, D.C., Cuban exile Virgilio Paz Romero pleads guilty to conspiring to assassinate Orlando Letelier, the former Chilean ambassador to the US who was killed by a bomb in Washington, D.C., in 1976.

Foreign Policy

(See also *Intl, Group of Seven; Colombia; Iraq; Israel; USSR*)

July 2—South Korean President Roh Tae Woo meets with President Bush at the White House.

July 10—President Bush announces that he has signed an executive order lifting US sanctions against South Africa that were imposed by the Comprehensive Anti-Apartheid Act of 1986; he says South Africa has met the law's 5 conditions for ending apartheid.

July 14—President Bush meets in Paris with French President François Mitterrand; the 2 leaders threaten to use military force against Iraq if it continues to develop nuclear weapons or oppresses ethnic minorities.

July 17—In Manila negotiators announce a new 10-year US lease with the Philippines on the Subic Bay Naval Station for \$203 million annually; the US says it will not renew its lease on Clark Air Base, which was heavily damaged by volcanic ash from Mount Pinatubo.

July 18—In Damascus, Secretary of State James Baker 3d announces at a news conference with Syrian Foreign Minister Farouk al-Sharaa that Syria has agreed to participate in a Middle East peace conference sponsored by the US and the Soviet Union. The conference would break up into direct bilateral talks between Israel and Syria, Israel and Lebanon, and Israel and a Palestinian-Jordanian delegation.

In a speech to the Greek Parliament, President Bush pledges that the US will help settle the dispute with Turkey over Cyprus; about 29,000 Turkish troops occupy the self-proclaimed Turkish Republic of Northern Cyprus.

July 19—After meeting in Alexandria, Egypt, with Baker, Egyptian President Hosni Mubarak says that if Israel stops building settlements in the Israeli-occupied territories, the 20 other Arab League countries should suspend their economic boycott of Israel and companies that deal with Israel that has been in effect since 1948; Egypt has not participated in the boycott since 1979.

ECONOMIC INDICATORS July Reports

	Change from previous period	Total
Gross National Product 2d quarter 1991	+0.4%	\$4.13 trillion
Merchandise Trade Deficit May	+1.5%	\$4.6 billion
Consumer Price Index June	+0.2%	136 points
Unemployment June	+0.1%	7% (8.7 million)
New foreign direct investment in US 1990	-52.6%	\$37.2 billion
Leading Economic Indicators		
April Revised figures	+0.3%	141.8 points
May Revised figures	+0.8%	142.9 points
June	+0.5%	143.6 points

Sources: Commerce and Labor Department reports; news reports.

July 20—After discussions in Jidda, Saudi Arabia, between Baker and King Fahd, the Saudi government says it will suspend the boycott against Israel if Israel ceases expanding settlements in the occupied territories.

President Bush meets in Ankara with Turkish President Turgut Ozal and pledges aid for Turkey's military modernization in return for Turkish support during the Persian Gulf war.

July 21—At a news conference with Baker in Amman, King Hussein of Jordan says Jordan is ready to attend a Middle East peace conference; he says Jordan will lift its boycott of Israel if Israel stops building settlements in the occupied territories.

July 30—In Moscow for a summit meeting with Soviet President Mikhail Gorbachev, President Bush announces that he will ask Congress to grant the Soviet Union most-favored-nation trade status.

July 31—At the Kremlin, Presidents Bush and Gorbachev sign the Strategic Arms Reduction Treaty (START), the 1st accord to reduce Soviet-American long-range nuclear arsenals. The treaty cuts the number of US nuclear warheads that can reach the Soviet Union by approximately 25%, and the number of comparable Soviet weapons by more than 35%, to about the level they were when START talks began in 1982. Verification procedures will include on-site spot inspections at weapons sites; the treaty expires in 15 years, and may be extended for subsequent 5-year periods.

At a joint press conference after the signing, President Bush says that he and Gorbachev will work to convene a Middle East peace conference in October.

Labor and Industry(See also *UK, Great Britain*)

July 15—Chemical and Manufacturers Hanover banks announce plans to merge, creating the second-largest US bank, with assets of \$135.5 billion.

July 29—After a two-and-a-half-year investigation by his office, Manhattan District Attorney Robert Morgenthau announces the indictment of the Bank of Credit and Commerce International (BCCI), incorporated in Luxembourg and Abu Dhabi, on 12 counts of money laundering, fraud amounting to as much as \$5 billion, and theft; he also accuses the bank of paying bribes and kickbacks to public officials in the US.

The Federal Reserve Board orders a \$200-million fine against BCCI for violations of US banking law.

Legislation

July 11—The Senate passes, 71 to 26, an anti-crime bill that would make committing some violent and drug-related crimes while in possession of a gun federal offenses; the bill would allow the death sentence for 51 additional crimes, restrict prisoners' rights to file habeas corpus petitions in federal court, and establish a 5-day waiting period for handgun purchases.

July 17—In a voice vote, the Senate overturns federal regulations prohibiting staff in federally funded family planning clinics from giving patients information on abortion; on June 26, the House, voting 315 to 74, passed a similar measure as part of an appropriations bill.

The Senate votes, 53 to 45, to raise senators' annual salaries \$23,200, to \$125,100, and to prohibit them from accepting money for speaking engagements.

July 18—The Senate votes unanimously in favor of a bill that orders states to require testing of health care workers for the virus that causes AIDS (acquired immune deficiency syndrome) or face the loss of federal funds for health care; the Senate also passes, 81 to 18, a bill requiring harsh criminal penalties for infected doctors who fail to inform patients of their condition when they perform invasive procedures.

July 23—Voting 55 to 44, the Senate passes a bill that would allow President Bush's one-year renewal of most-favored-nation trading status for China but would set conditions for renewal in 1992. On July 10, the House passed 2 mutually exclusive bills on the issue: voting 223 to 204, it adopted a binding resolution canceling the presidential renewal, and by a 313-112 vote, it approved the extension but called for presidential certification that China had improved its human rights record and was not exporting ballistic missile technology before the status could be renewed next year.

July 30—The House approves, 364 to 60, the recommendations of the Defense Base Closure and Realignment Commission to shut 25 major military facilities and reduce or consolidate 48 others; it also votes, 411 to 14, to give the commission power to close bases overseas.

July 31—In a voice vote on an amendment to the 1992 military budget bill, the Senate passes a measure that would overturn the law that prohibits female pilots from flying combat missions; last month the House approved similar legislation.

Military(See *Iraq*)**Political Scandal**

July 9—In documents submitted today to US district court in Washington, D.C., Alan Fiers, Jr., former director of the Central Intelligence Agency (CIA) Central America Task Force, admits that he told 3 of his CIA superiors about the diversion to Nicaraguan rebels of money from illegal arms sales to Iran several months before the information became public on November 25, 1986, and that he was told by one of his superiors to lie in congressional testimony about knowledge of the diversion.

VENEZUELA(See *Intl, Ibero-American Summit Conference*)**YUGOSLAVIA**

July 1—Ante Markovic, the federal prime minister, and Lojze Peterle, the Slovenian prime minister, announce that the Yugoslav army has been ordered to return to its barracks; Markovic says the army acted on its own on June 29 when it ordered Slovenian leaders to give up control of Slovenia's borders.

Stipe Mesic is installed as leader of the rotating federal presidency.

July 2—Slovenian republic forces clash with the Yugoslav army in Ljubljana; about 12 members of the army are reported killed.

The Slovenian republic government accepts a cease-fire offered by Mesic, but the army chief of staff, General Blagoje Adzic, says "a truce is no longer possible."

Army troops kill 7 and injure 7 in Zagreb, Croatia, as they fire on a crowd trying to block a tank convoy leaving its barracks.

July 5—One day after unsuccessfully demanding the return of control over international border posts, the federal government says Slovenia may retain control if it agrees to hand over customs revenues.

July 7—On Brioni, an island in the Adriatic, federal government leaders and representatives of the 6 republics agree to a cease-fire mediated by 3 European Community foreign ministers and the return of federal army troops and local militia to their barracks; republic forces will staff international border posts on behalf of the federal government. Slovenia and Croatia agree to suspend steps toward independence for 3 months.

July 8—Slovenia refuses to send its representative to Belgrade to participate in the federal presidency and says it is withdrawing its deputies from the national Parliament.

July 18—The federal presidency announces that it is ordering all federal army units to withdraw from Slovenia; the withdrawal is to be completed in 3 months.

July 22—In eastern Croatia, 20 people are reported killed in fighting between Croats and Serbs.

July 27—Police in Croatia report that as many as 28 people were killed in 2 days of fighting between Serbs and Croats in Glina.

July 31—After 2 weeks of secret talks with Serbian leaders, Croatian officials offer a peace plan giving Serbs in Croatia greater local autonomy, greater representation in the republic parliament, and authority over local police. ■

COMING IN OCTOBER IN CURRENT HISTORY: THE SOVIET UNION

The continuing political turmoil in the Soviet Union is discussed in our October issue by the iconoclastic Sovietologist, Jerry Hough. An assessment of Gorbachev's economic reforms and an analysis of the nationalities problems are also found in the October issue, and the Bush administration's policies toward the Soviet Union are given a midterm appraisal by a noted scholar of US foreign policy. *Topics to be covered will include:*

Property of
Ambassador College Library
Big Sandy, TX 75755

RECEIVED

SEP 03 1991

- **US-Soviet Relations**
BY RAYMOND GARTHOFF,
BROOKINGS INSTITUTION
- **Gorbachev's Political Strategy**
BY JERRY HOUGH, DUKE UNIVERSITY
- **Soviet Foreign Policy
after the Cold War**
BY MARK KRAMER,
BROWN UNIVERSITY
- **Gorbachev's Economic Program**
BY GERTRUDE SCHROEDER,
UNIVERSITY OF VIRGINIA
- **Understanding the
Nationalities Question**
BY MARTHA BRILL OLCOTT,
COLGATE UNIVERSITY
- **The Religious Revival
in the Soviet Union**
BY DAVID POWELL,
HARVARD UNIVERSITY
- **The Soviet Union's
Environmental Problems**
BY HILARY FRENCH,
WORLDWATCH INSTITUTE

SPECIAL DISCOUNTS FOR BULK PURCHASE:

Current History is now offering special discounts for orders of 10 or more copies of the same issue, and for 10 or more subscriptions mailed to the same address.

Available 1991-1992

- ☐ China, 1991 (9/91)
- ☐ The Soviet Union, 1991 (10/91)
- ☐ The New Europe (11/91)
- ☐ Canada (12/91)
- ☐ The Middle East, 1992 (1/92)
- ☐ Latin America (2/92)
- ☐ South Asia (3/92)
- ☐ The United States (4/92)
- ☐ Africa, 1992 (5/92)

Still Available

- ☐ Africa, 1991 (5/91)
- ☐ Japan (4/91)
- ☐ Mexico and Central America (3/91)
- ☐ South America (2/91)
- ☐ The Middle East, 1991 (1/91)
- ☐ Europe: East (12/90)
- ☐ Europe: West (11/90)
- ☐ The Soviet Union, 1990 (10/90)
- ☐ China, 1990 (9/90)
- ☐ Africa South of the Sahara (5/90)
- ☐ North Africa (4/90)
- ☐ Southeast Asia (3/90)
- ☐ The Middle East, 1990 (2/90)
- ☐ Latin America (1/90)
- ☐ South Asia (12/89)
- ☐ East Europe (11/89)
- ☐ The Soviet Union, 1989 (10/89)
- ☐ China, 1989 (9/89)
- ☐ Toward the 21st Century—Special 75th Anniversary Issue (1/89)

Quantity Discount Price: 10 or more copies of the same issue, \$3.00 per copy—a savings of more than 30 percent (single-copy price, \$4.75). Copies more than five years old: \$5.75 per copy.

Quantity Subscription Price: 10 or more subscriptions mailed to the same address: \$24.75 per subscription.

- ☐ One-year subscription: US\$31.00
- ☐ Two-year subscription: US\$61.00
- ☐ Three-year subscription: \$91.00
- ☐ Please send me the issues I have indicated above, in the quantities I have marked.
- ☐ Current History Binders: US\$9.95

Name

Address

City

State Zip

☐ Check enclosed. ☐ Bill me.
For Visa or Mastercard orders, call toll free, 1-800-726-4464
Add US\$6.25 per year for Canadian and foreign addresses
All these offers are good only on new orders mailed directly to the publisher.
Specific issue price and bulk subscription prices are based on a single mailing address for all issues ordered.

Current History Binder: A sturdy, hardcover binder will protect Current History for permanent reference. The easy-to-use binder holds a year of Current History securely in place over flexible steel rods.

